

Currencies Weekly Report

Week of 24.05.2021

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May 24, 2021

Global Economic Review & Outlook

Inspite of FED taper talks growing more heated amongst the market participants, the long-term U.S. Treasury yields could not resist the decline resulting into the Dollar losing against most major currencies throughout the past week.

Federal Reserve officials as per the April policy meeting minutes, are doing their best to stay patiently accommodative and let inflation overshoot the 2% target in the near term, labeling it as transitory and in alignment with its recent shift to average inflation targeting.

Investors have been spooked by concerns about the future path of Fed policy in the face of rising inflationary risks. Last week's Fed minutes suggested some policymakers were ready to talk about reducing stimulus by tapering bond purchases.

The Bitcoin extended losses on Friday after China announced it will crack down on Bitcoin mining and trading activities.

The U.S. Treasury Department on Thursday called for new rules that would require large cryptocurrency transfers to be reported to the IRS and the Fed flagged the risks cryptocurrencies posed to financial stability.

Market volatility looks set to remain elevated this coming week amid vaccine rollout and reopening of U.S. & European economies.

A greater weight will be put on upcoming economic data releases and markets will consider keeping close tabs on any Treasury yield volatility.

A handful of speeches by Fed policymakers, including Governor Brainard are due this week.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	13470.99	13429.98	0.31
DOW JONES	34207.84	34382.13	-0.51
NIKKEI	28317.83	28084.47	0.83
HANGSENG	28458.44	28027.57	1.54
CAC	6386.41	6385.14	0.02
DAX	15437.51	15416.64	0.14
FTSE	7018.05	7043.61	-0.36
FX	Last Close	Previous Week	% CHANGE
DX	90.03	90.32	-0.32
EURUSD	1.218	1.2145	0.29
GBPUSD	1.4146	1.4092	0.38
USDJPY	108.96	109.35	-0.36

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	73.2423	73.0353	72.9670	73.1168	73.0233
EURINR	88.8864	88.9770	89.3165	89.1255	89.3075
GBPINR	103.2682	103.5728	103.5027	103.2765	103.6103
JPYINR	67.06	66.95	66.95	67.01	67.1400

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	73.3075	74.0825	75.0425	75.9725	76.8675
Tuesday	73.1200	73.8900	74.8700	75.7950	76.7000
Wednesday	73.2300	74.0200	75.0100	75.9450	76.8600
Thursday	73.1150	73.8850	74.8650	75.8100	76.7100
Friday	72.8400	73.5900	74.5750	75.5075	76.4200

Dollar Outlook

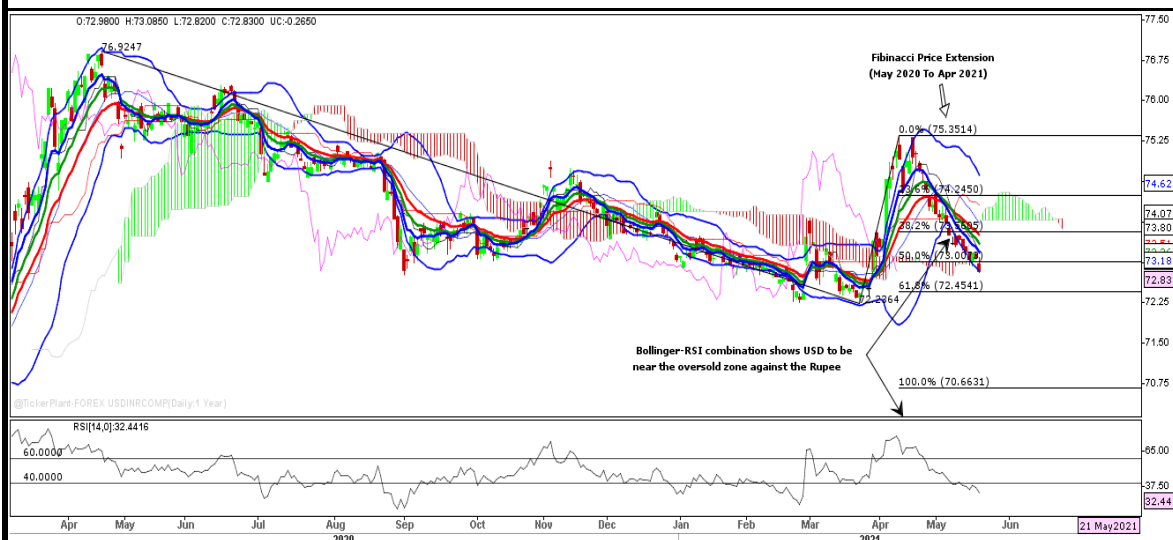
US Dollar selling pressure prevailed last week and left the DXY Index -0.3% lower.

Most participants argued that the Fed's pursuit of making "further substantial progress" warrants the commitment to a dovish stance but considering subtle hints, from the minutes, that the Fed has already started to discuss the idea of tapering, there could be potential for the Greenback to find support around current levels.

FOMC minutes noted that if the economy continued to make rapid progress towards its goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases.

While nonfarm payrolls, last time, may have missed forecast on the headline jobs figure, wage inflation accelerated quicker than expected.

Traders will be watching reports for April on personal spending, durable goods and home sales to gauge the strength of the economy.



The USDINR Daily chart indicates the Dollar has been in a continued depreciating mode versus the Rupee since 2nd half of April 21 after making a Double Top at 75.32 in 3rd Week April. The Fibonacci price extension drawn for the period May 2020-Apr 2021 shows the pair has breached the 50% Fibo major level of 73.00 last week and is headed towards the next support of 72.50. The Bollinger-Rsi combination however, shows the pair is in its oversold zone and that the pair might see a sharp reversal from anywhere between 72.80 & 72.50 on Spot only to move up to 73.50-73.80 zone where the 20- day EMA lies. In this last week of May, USDINR Spot might not see a sharp upward move but is most likely to resume the upward trend approaching the 73.80 mark. Ofcourse, the Dollar Index, which is at crucial supports also indicates the Dollar will soon gain strength.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish	Buy 72.80/50 SL 72.40 TGT 73.25/45								72.50 - 73.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		71.58	72.04	72.51	72.67	72.98	73.14	73.45	73.91	74.38	
Exporters Strategy	Exporters are suggested to maintain stop for any unhedged May receivables 72.75 (SPOT) targetting 73.25 & 73.45 to hedge.										
Importers Strategy	Importers are suggested to hedge pending for May at around 72.70 (SPOT) levels OR maintain stops at 73.15.										

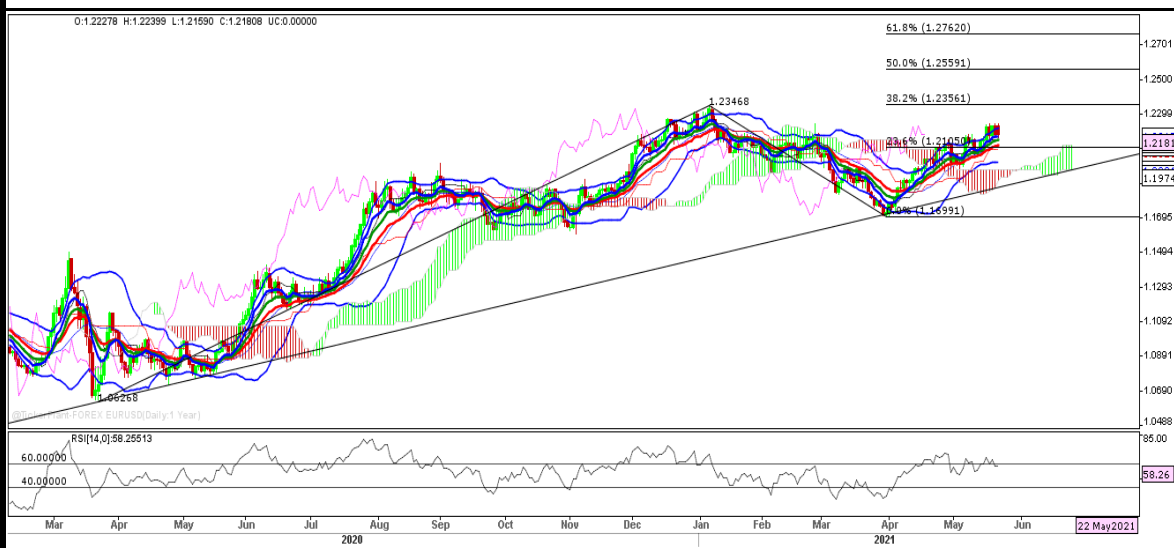
Euro Outlook

The Euro has been largely consolidating over the past month. Its performance has been closely tied to spreads between German and United States 10-year government bond yields.

Governing Council member Villeroy had earlier noted that talking about tapering their PEPP is purely speculative. Greek Gov Stournaras also had said there is 'no evidence' for them to change policy. The ECB's hesitation to adjust policy, for the time being, could minimize the impact of data on monetary policy expectations and thus the Euro.

But still, although Eurozone PMIs beat forecasts, reflecting stronger economic activity, Germany experienced a slowdown in manufacturing activity that dragged the composite index below expectations. This disappointment put the euro on back foot throughout the U.S. Friday session.

The German ifo Business Climate release on Tuesday might just be a reason for Euro's retreat if reported poor than expected.



The EURUSD Daily chart indicates the Euro has been in a continued appreciating mode versus the Dollar since beginning of April 21 after finding a strong support at 1.17 at the end of March. The Fibonacci price extension drawn for the period End March 2020-March 2021 shows the pair has breached the 23.6% Fibo major resistance of 1.21 in the upside as it holds itself above the bullish crossover of the 8-13-20 EMAs.

The Bollinger-RSI combination however shows the pair to be overbought in the near term and might see small corrections only to gain further upward momentum.

1.20 shall act as a strong support in longer term and any corrections near 1.2050/60 shall see good buying.

This week, we might see a little correction in the Euro and any rise around 1.2220 should be used to go short on the pair for targets of 1.2120 & 1.2060.

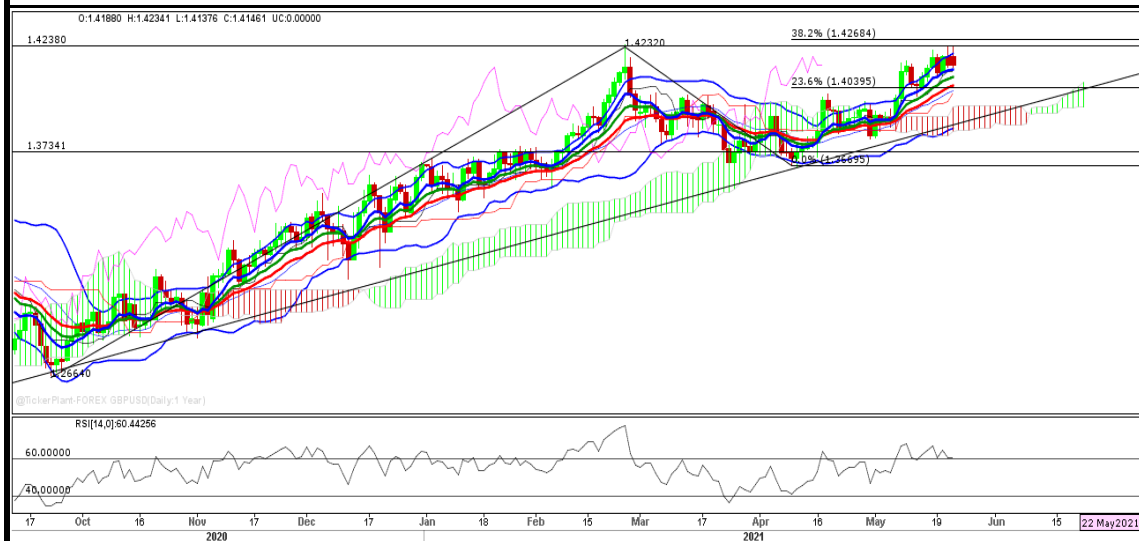
Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 1.2220/00 SL 1.2250 TGT 1.2120-1.2060				Sell 89.40/20 SL 89.60 TGT 88.80-88.40				1.2060-1.2240 88.40-89.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		87.06	87.74	88.42	88.74	89.09	89.42	89.77	90.45	91.13	
Exporters Strategy	Exporters last week were suggested to to target 89.15 & 89.50 to hedge exposure for May which have been fulfilled.										
Importers Strategy	Importers were suggested maintain stops at 88.90 which has been triggered. But, if not hedged they can do so this week around same levels.										

British Pound Outlook

Friday's reports suggest that the Bank of England will be one of the next central banks in line to reduce stimulus.

Fresh remarks from the BoE may prop up the Sterling as the Governor along with other MPC members are scheduled to testify in front of the House of

However, there is dissent within the central bank where one member argued that “the improved economic outlook warranted a reduction in the scale of asset

[illegible]

The Fibonacci price extension drawn for the period Sep 2020-Apr 2021 shows the pair has moved closer to the 38.2% Fibo major resistance of 1.4270 and also tested levels close to the 24th Feb highs of 1.4242 and retraced on Friday only to close below 1.4150 thus making an almost Double Top.

The Bollinger-RSI combination also shows the pair to be overbought in the near term and due for correction upto 1.3980 in near term before it resumes its upside rally.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 1.4180 SL 1.4240 TGT 1.4070				Sell 103.70 SL 104.00 TGT 103.20-102.70				1.4060-1.4230 102.70-104.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		101.16	101.94	102.71	103.13	103.49	103.91	104.26	105.04	105.81	
Exporters Strategy	Exporters last week were suggested to target 103.80 & 104.30 to hedge, the first one of which is fulfilled.										
Importers Strategy	Importers are suggested to hedge fully for May at around 102.80 (SPOT) levels.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
24.05.2021	08:00 PM	GBP	BOE Gov Bailey Speaks		
25.05.2021	01:30 PM	EUR	German ifo Business Climate	98.2	96.8
	07:30 PM	USD	CB Consumer Confidence	119.4	121.7
26.05.2021	08:00 PM	USD	Crude Oil Inventories		1.3M
27.05.2021	06:00 PM	USD	Prelim GDP q/q	6.4%	6.4%
		USD	Unemployment Claims	427K	444K
	07:30 PM	USD	Pending Home Sales m/m	0.6%	1.9%
28.05.2021	06:00 PM	USD	Core PCE Price Index m/m	0.6%	0.4%

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