

Currencies Weekly Report

Week of 04.04.2022

Global Economic Review & Outlook

The global bond sell-off continues, with the US yield curve inverting briefly. Markets are pricing in many more rate hikes than some central banks are willing to deliver.

Volatility in energy prices will not fade away soon.

High energy prices pushed Euro-area inflation to 7.5% in March. The pressure on the ECB is increasing.

Growth in the US is bound to fall after the post covid strength, but the US economy is expected to perform better than the Euro zone over the next quarter. Fallout from the war in Ukraine will hit EZ.

Long-term rates in the US have rallied last month and a correction is due after such a strong rate rise. But further upside in US long-term rates ahead cannot be ruled out.

Long-term rates might get support on Wednesday when the Fed will release its minutes from the March FOMC meeting. Confirmation of faster and more aggressive tightening including details on the balance sheet run-off will be looked out for.

Euro-area headline inflation rose to 7.5% and core inflation to 3.0% in March – both at record-high levels. Regarding the future developments of headline inflation, the Russian assault obviously plays a very important role and the uncertainty around the future numbers is extremely high. Cutting energy supplies to EU from Russia will push prices further higher.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	14261.50	14169.30	0.65
DOW JONES	34818.14	34861.70	-0.12
NIKKEI	27665.98	28149.84	-1.72
HANGSENG	22039.55	21404.88	2.97
CAC	6684.31	6553.68	1.99
DAX	14446.48	14305.76	0.98
FTSE	7537.90	7483.35	0.73
FX	Last Close	Previous Week	% CHANGE
DX	98.57	98.79	-0.22
EURUSD	1.1048	1.0987	0.56
GBPUSD	1.3114	1.3188	-0.56
USDJPY	122.55	122.05	0.41

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	76.2569	75.9731	75.7678	75.8071	--
EURINR	83.5821	83.6099	84.2391	84.6599	--
GBPINR	100.2677	99.5602	99.4609	99.5524	--
JPYINR	61.93	61.57	62.24	62.23	--

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	76.1575	76.7150	77.4150	78.1050	78.7900
Tuesday	76.2800	76.7600	77.4600	78.1600	78.8600
Wednesday	76.1150	76.6000	77.3250	78.0500	78.7600
Thursday	75.9725	76.4725	77.1925	77.9275	78.6175
Friday	--	--	--	--	--

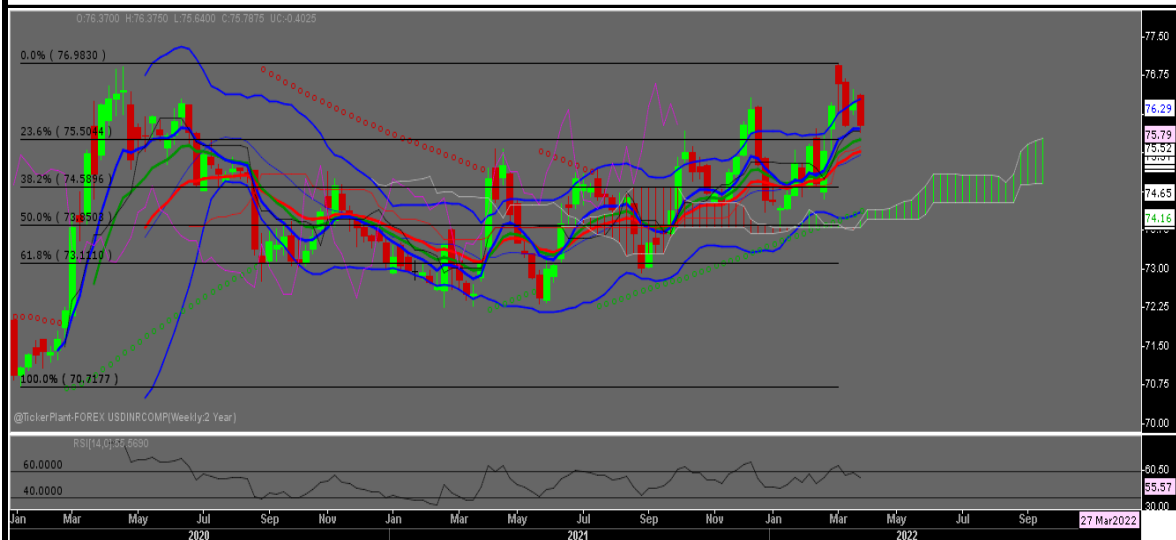
Dollar Outlook

The role of Dollar, as we enter into a new quarter, is a huge dilemma. A safe haven when most traditional risk assets are on the brink of a sharp fall, or a resultant impact bearer of the FOMC rate forecasts and decisions along with the growth projections and actual growth.

Also, the scheduled and unscheduled event risk shall provide with enough volatility, not only to the Dollar but also to all asset classes.

Interest rate forecasts would be a critical fundamental theme to track in order to understand the Dollar's intentions. It is very much required to analyse the Greenback based on the FED's actions, but the relative hawkish or dovish path requires that we compare the US course to its global counterparts. The Fed so far has managed to feed an exceptionally aggressive forecast which has resulted into very high expectations on the Dollar. However, It becomes equally important to watch how other Central Banks react to the globally uncertain growth outlook.

The DOLLar will be facing pressure more importantly as crises unfold worldwide and major economies (like Russia and China) seek alternatives to the world's principal currency. This, although, is a longer term phenomenon.



The USDINR Weekly chart shows the pair made lifetime high of 76.9825, from where it slipped to test 75.64 last week. The pair also has managed to hold above the 8-EMA but closed under the Upper Bollinger band thus indicating a short-term reversal to its upward trend.

As USDINR has been able to trade below the wider Bollinger Band along with an overbought RSI, one can expect a correction in USDINR to likely test atleast 75.50 (23.6% Fibo retracement) before it restores the upward momentum.

For the week ahead We recommend going short around 76.30 with Strict Stops above 76.70.

The emergence of a thin bullish ichimoku cloud could result into a major threat for the Rupee where a support at 75.50 and reversal upwards could bring in fresh bullish bias in USDINR taking it further higher above 77 in the near term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 76.25-76.35 SL 76.70 TGT 75.50-75.20								75.20-76.40		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		73.73	74.46	75.20	75.49	75.93	76.23	76.67	77.40	78.14	
Exporters Strategy	Exporters are suggested to hedge their April exposure partially (50%) around 76.30. Pending to be held open with stop below 75.50 Spot.										
Importers Strategy	Importers are suggested to hedge April payables (50%) around 75.50. Pending to be held open with a strict Stop above 76.70 Spot.										

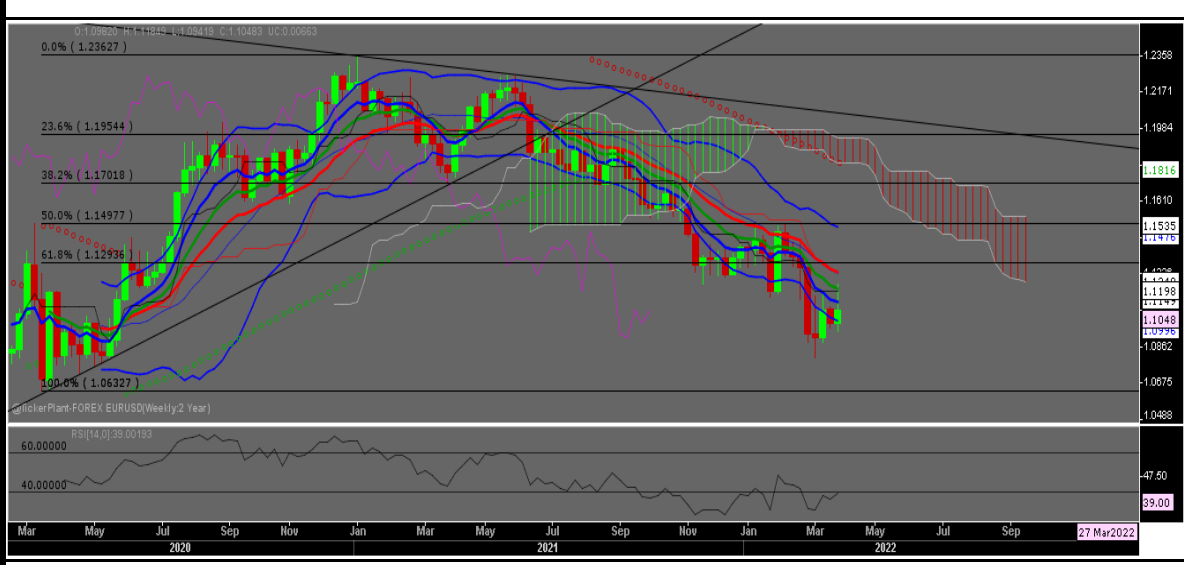
Euro Outlook

The Euro suffered punishing losses in the first quarter of 2022. The currency is on pace to shed almost 3 percent against an average of its major counterparts, marking the worst three-month performance in 7 years.

Losses as we know are concentrated in March, due to Russia's invasion of Ukraine in the end of February. The crisis has had a huge impact on the Eurozone, disrupting trade flows and triggering a flood of Westward-bound refugees.

These baseline headwinds have exaggerated due to economic sanctions imposed by the Western Powers on to Russia. Most powerfully, these measures have frozen the Central Bank of Russia's vast foreign reserves and cut off huge part of the country's economy from the SWIFT system.

Russia will feel most of the pain from these measures, but not all of it. It is the broader EU's fifth-largest trading partner. The invasion and the follow-on sanctions regime have severely disrupted the trade activity. De-escalation on the War, not the ECB, is the only source of Euro strength.



The EURUSD Weekly chart indicates the pair losing 1.13 levels and further slipping to 1.08 in first half of March, has turned the pair extremely oversold against.

The pair however, saw a recovery being able to breach the 8 & 13-EMA to rise close to 20 EMA at 1.1240.

The Bollinger-RSI combination continues to show the pair is extremely oversold supported by attempts the pair is making to sustain the 8-13-20 EMAs, and one can initiate fresh long positions in the pair around 1.1050.

The bearish Parabolic SAR has penetrated the bearish Ichimoku cloud and one can expect a sharp reversal in the pair till 1.12 in the near term.

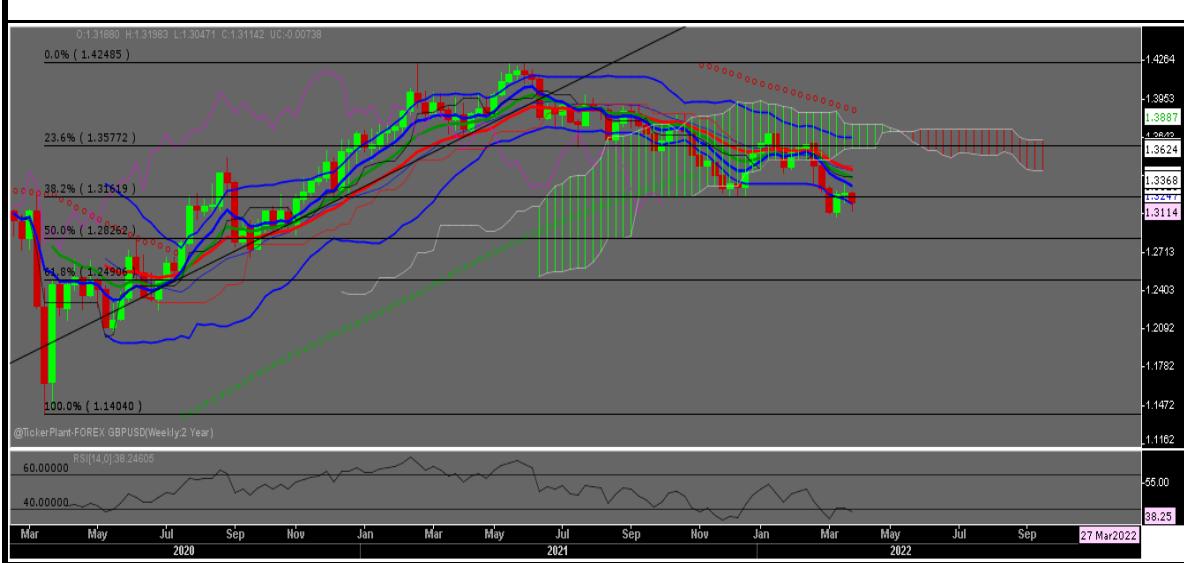
Next week, we suggest going long on the pair around 1.1050.

1.13 now happens to be a deciding level for EURUSD to reverse its bearish trend in near medium term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bearish	Buy 1.1030/50 SL 1.0980 TGT 1.1170				Buy 83.80/50 SL 83.20 TGT 84.70				1.1030-1.1170 83.50-84.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		80.22	81.51	82.80	83.50	84.09	84.79	85.38	86.67	87.96	
Exporters Strategy	Exporters are advised to hedge 50% of the April exposure around 85 Spot. Further pending exposure to be held open with Stop below 83										
Importers Strategy	Importers are advised to hedge 50% of April payables around 83.50 on Spot. Pending to be held open with Stop above 85.										

British Pound Outlook

The Bank of England is expected to raise interest rates further in Q2 of 2022 as the central bank tries to stem soaring prices pressures. BoE recently pushed back against hike expectations, fearing that a series of hikes may stall growth in the months ahead. UK growth is now back above pre-covid levels and looks robust, despite fears that Ukraine crisis and Russian sanctions will cause further supply chain disruptions. Sterling has had a mixed Q1 and the outlook for Q2 is expected to continue these trends. GBPUSD slipped lower during the first quarter as the Dollar priced in a series of rate hikes during 2022 and into 2023, widening the rate differential between the two currencies. Sterling rallied against the Yen, primarily due to JPY weakness, while EURGBP traded sideways with a slight negative bias. The Pound also fell against the Aussie as the commodity rich country benefitted from sharply higher metal and mineral prices. These, overall trends are likely to continue unless there is a major shift in the macro outlook, namely the ongoing crisis in the Ukraine.



The GBPUSD Weekly chart indicates, last week the Pound hovered around the 38.2% Fibo support at 1.3160 to close slight lower at 1.3114.

GBPUSD in Feb had been hovering around the 1.3575 major resistance level and failed to breach the same in the North which resulted into a sharp selloff in the pair last month.

However, as mentioned in our report earlier, the pair was extremely oversold & was expected to witness a small bounce back to the 38.2% Fibo level which was achieved recently, with further upward expectation now to 1.3280.

Major support in the pair now lies around 1.30 and 1.3280 is the next interim resistance.

The bearish Ichimoku cloud formation appears to be a threat at this beginning of the month.

For this week we suggest going long in the pair around 1.31 with
 Strict Stops below 1.2050

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy 1.3100/20 SL 1.3050 TGT 1.3190				Buy 99.50/70 SL 99.10 TGT 100.50-101.00				1.3100-1.3200 99.50-101.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		95.75	97.07	98.38	98.93	99.70	100.25	101.01	102.33	103.64	
Exporters Strategy	Exporters are advised to hedge their April exposure partially (50%) around 101. Pending to held open with Stop below 99 Spot.										
Importers Strategy	Importers are advised to hedge partially (50%) near 99.50 Spot for April exposure. Pending to held open with Stop above 101.60 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
04.04.2022	12:30 PM	EUR	Spanish Unemployment Change	15.3K	-11.4K
	02:35 PM	GBP	BOE Gov Bailey Speaks		
05.04.2022	07:30 PM	USD	ISM Services PMI	58.6	56.5
	08:35 PM	USD	FOMC Member Brainard Speaks		
06.04.2022	08:00 PM	USD	Crude Oil Inventories		-3.4M
	11:30 PM	USD	FOMC Meeting Minutes		
07.04.2022	06:00 PM	USD	Unemployment Claims	201K	202K
	06:30 PM	USD	FOMC Member Bullard Speaks		

Report prepared by:

Siddhesh Ghare
Head- FX Risk Business
PhillipCapital (India) Pvt. Ltd.

sghare@phillipcapital.in
+91 99634 87722

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