

Currencies Weekly Report

Week of 16.01.2023

www.phillipforex.in

January 16, 2023

Global Economic Review & Outlook

Markets expect the Fed to start lowering rates already as inflation will be lower. The Fed is worried that tight labour markets will still keep prices too high. All eyes will be on China this week. The PBOC is expected to cut its one-year MLF rate by 10 bps to 2.65%. On Tuesday, we see the impact of Covid on GDP, industrial production, retail sales, and fixed asset investment. At the end of the week, China is expected to cut its loan prime rates.

Global market sentiment improved this past week across stock market exchanges around the world.

US inflation continued slowing as expected in December, clocking in at 6.5% y/y versus 7.1% in November. While the energy component continued weakening, food & shelter costs remained elevated. Markets took this as more signs that the Fed will soon halt its hiking cycle.

Treasury yields declined, but the pace notably slowed compared to recent weeks. Meanwhile, Dollar continued to weaken.

This week, the BoJ might be an interesting event. Japan will also be releasing December's inflation gauge at the end of the week.

United Kingdom will be releasing CPI figures as well.

In India, inflation has been falling and has put some traders in doubt that RBI will need to continue to raise rates.

The upcoming week contains wholesale price data that is expected to show disinflation trends remain. Trade data is also due.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11079.16	10569.29	4.82
DOW JONES	34302.81	33629.79	2.00
NIKKEI	26119.52	25973.85	0.56
HANGSENG	21738.66	20991.64	3.56
CAC	7023.50	6860.95	2.37
DAX	15086.52	14610.02	3.26
FTSE	7844.07	7699.49	1.88
FX	Last Close	Previous Week	% CHANGE
DX	102.20	103.88	-1.62
EURUSD	1.0832	1.0645	1.75
GBPUSD	1.2223	1.2093	1.07
USDJPY	127.84	132.10	-3.23

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	82.3663	82.2108	81.7029	81.7187	81.4328
EURINR	87.9528	88.2829	87.8551	87.9566	88.2628
GBPINR	100.0387	100.0555	99.4390	99.2425	99.2764
JPYINR	62.47	62.35	61.74	62.06	63.10

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.4325	82.7200	83.2100	83.6250	84.0350
Tuesday	81.8550	82.1425	82.6400	83.0750	83.5025
Wednesday	81.6375	81.9075	82.4075	82.8275	83.2400
Thursday	81.5950	81.8700	82.3800	82.8150	83.2400
Friday	81.3700	81.6550	82.1900	82.6375	83.0850

Dollar Outlook

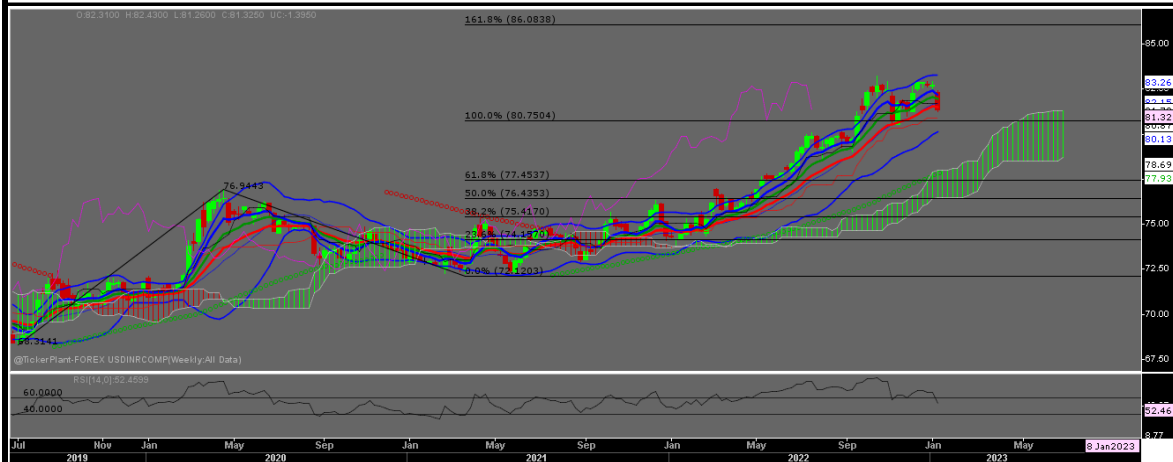
Last week was not a good period for the Dollar. A 1.7 percent drop through this past week pushed DXY to its lowest level in seven months.

Over the past few months the Dollar has lost much of its strength which it had gathered from Fed rate forecasts, economic potential and its position as a safe haven amid a struggling equity market.

The Dollar has been largely dependent on the "General Sentiment" of the global markets and is expected to continue doing so in the week ahead too. With a stagnant Dollar until last week it was expected to regain volatility and momentum.

It will be a busy week filled with a wide range of economic indicators, lots of Fed speak, and earnings season heats up. Wall Street will now not just fixate on inflation data, but also on how quickly the economy softens. Traders will pay close attention to the Empire manufacturing index, retail sales, PPI, industrial production, NAHB housing market index, weekly jobless claims, and existing home sales data.

Fed speak will happen all week long and expectations are high for more members to signal they are comfortable with downshifting their tightening pace again. Earnings season in the U.S. continues with more bank earnings & the airline's report.



The USDINR Weekly chart indicates the pair, as expected, has dropped down sharply after it opened below 82.50 last week. The pair was held below the Upper Bollinger resistance for past few weeks and last week witnessed heavy selling pushing it down below the 8-13-20 Weekly EMAs, now approaching the 100% Fibb support at 80.75.

Although, 80.75 is not a major technical historical barrier, but breaching it would most definitely open doors for further Rupee appreciation till 79.70 the level from where the pair rallied sharply in Mid September 22.

The RSI & Ichimoku-Parabolic SAR too suggest further selloff. This week, we would suggest to go short on the pair at 81.70 for targets of 80.90 & 80.50 with a strict Stop above 82.10.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish-Sideways	Sell 81.60-81.70 SL 82.10 TGT 80.90-80.50								80.50-81.70		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		78.16	79.33	80.50	80.91	81.67	82.08	82.84	84.01	85.18	
Exporters Strategy	Exporters were advised to hedge 50% of their January exposure between 82.50-82.80 Spot. Pending to be held open with Stop below 82.00. Stop Triggered.										
Importers Strategy	Importers were advised to hedge 50% of their January exposure around 82.00 Spot. 25% to be hedged around 81.30. Pending to be held open with Stop above 82.10.										

Euro Outlook

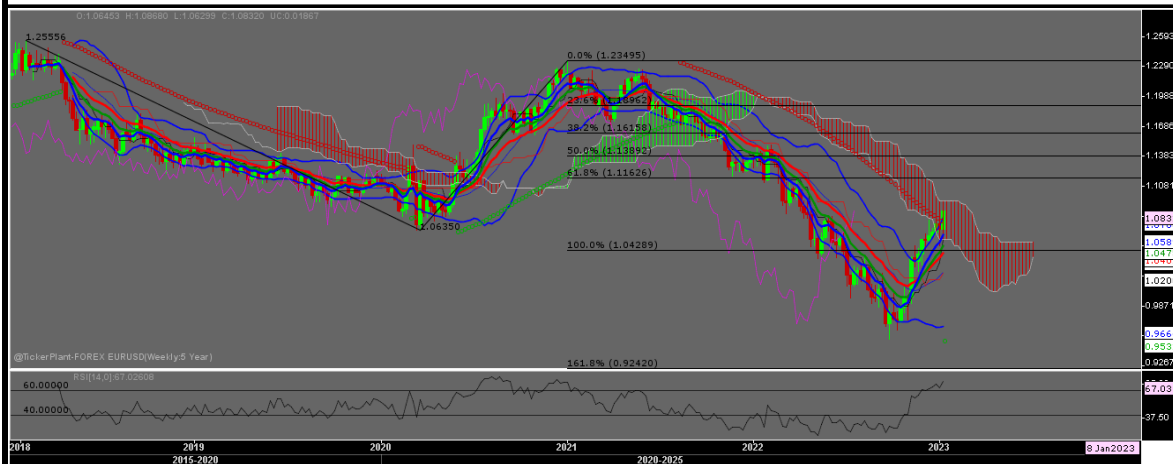
Euro continues to move higher against a range of currencies, making fresh multi-month highs against the Dollar, the Pound, and the Swiss Franc amongst others. The Euro is being buoyed by ongoing, official, Euro rate hike expectations while other countries are beginning to pare back future rate increases. This interest rate widening differential is supporting the Euro as it moves higher.

The Eurozone bond market however is not moving in synch with these Eurozone rate expectations with yields across the curve falling.

Lower bond yields in the US have helped this move but growing expectations that the ECB will have to temper rate hikes due to growing recessionary fears are forcing longer-dated bond yields lower.

The run-up to the February ECB meeting is going to bring immense focus on incoming data and central bank speak, with traders becoming increasingly hopeful that global interest rates may nearly be peaking and perhaps not as high as feared even a couple of weeks ago.

The standout release will be the final inflation number for December while the ZEW surveys will also be of interest. The ECB minutes will also be poured over, as will comments from President Lagarde and colleagues. Markets are still pricing in three 50 bp hikes at the upcoming meetings but that could be pared back.



The EURUSD Weekly chart indicates the pair held on to its momentum and gained further last week approaching the 1.0920 Ichimoku cloud resistance.

The upmove in EURUSD last week has triggered the end of bearish Parabolic SAR and a bullish SAR has emerged, indicating a continuation in the current uptrend.

The 8-13-20 Weekly EMAs that have given a bullish crossover also indicate a bullish EURUSD next week.

However, the Bollinger-RSI combination indicates the pair is now in the overbought zone and might witness some correction, only to bounce back further higher.

Hence, it is advise to Buy EURUSD on dips near 1.0750 & 1.07 for long term targets of 1.11.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy 1.0780 SL 1.0680 TGT 1.0920				Buy 88.00-87.70 SL 87.10 TGT 89.00				1.0780-1.0920 87.70-89.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		85.32	86.22	87.13	87.68	88.03	88.59	88.94	89.84	90.75	
Exporters Strategy	Exporters were advised to hedge 30% of their January exposure around 89.00 Spot. Pending to be held open with Stop below 87.										
Importers Strategy	Importers were advised to hedge 50% of their January payables around 88.00. Pending to be held open with Stop above 89.50 on Spot.										

British Pound Outlook

Markets were likely focused on the United States this past week. Still, markets viewed the in-line outcome as maybe boosting the probability of a sooner-than-anticipated pivot from the Federal Reserve.

UK employment data will also cross the wires earlier on Tuesday. Weekly earnings excluding bonus are seen improving to 6.2% 3M/YoY from 6.1% prior.

The GBPUSD Weekly chart displays price movement from October 2019 to January 2023. The chart includes a price bar chart with a red line representing the weekly closing price. A black line indicates a significant uptrend from approximately 1.14078 to 1.35149, followed by a retracement. A green dotted line shows the 50% Fibonacci retracement level at 1.29489. Other horizontal lines mark the 100% (1.21439), 61.8% (1.29489), 38.2% (1.34461), and 23.6% (1.37352) levels. The chart also features a blue line for the 8-13-20 Weekly EMA, a green shaded area for the Bollinger Bands, and a red shaded area for the Parabolic SAR. The RSI indicator is shown at the bottom, with a value of 56.28. The x-axis is labeled with months and years, and the y-axis shows price levels from 1.0000 to 1.4301.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.2180-1.2150 SL 1.2100 TGT 1.2280-1.2350				Buy 99.50-98.80 SL 98.10 TGT 100.90				1.2150-1.2350 98.80-100.90		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		95.40	96.79	98.17	98.84	99.55	100.22	100.93	102.32	103.70	
Exporters Strategy	Exporters are advised to hedge their January exposure partially (30%) around 100.50 Spot.										
Importers Strategy	Importers were advised to hedge partially (50%) near 99.70 Spot for January. Pending to be hedged around 99 Spot.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
16.01.2023	08:30 PM	GBP	BoE Gov Bailey Speaks		
17.01.2023	07:30 AM	CNY	GDP (YoY) (Q4)	1.8%	3.9%
		CNY	Industrial Production (YoY) (Dec)	0.5%	2.2%
	12:30 PM	GBP	Claimant Count Change (Dec)	19.8K	30.5K
		GBP	Average Earnings Index 3m/y	6.2%	6.1%
	12:30 PM	EUR	German CPI (YoY) (Dec)	8.6%	8.6%
	03:30 PM	EUR	German ZEW Economic Sentiment (Jan)	-15.0	-23.3
18.01.2023	08:30 AM	JPY	BoJ Outlook Report (YoY)		
	12:30 PM	GBP	CPI (YoY) (Dec)	10.5%	10.7%
	Tentative	JPY	BoJ Press Conference		
	03:30 PM	EUR	CPI (YoY) (Dec)	9.2%	9.2%
	07:00 PM	USD	Core Retail Sales (MoM) (Dec)	-0.4%	-0.2%
		USD	PPI (MoM) (Dec)	-0.1%	0.3%
		USD	Retail Sales (MoM) (Dec)	-0.8%	-0.6%
19.01.2023	04:00 PM	EUR	ECB President Lagarde Speaks		
	06:00 PM	EUR	ECB Publishes Account of Monetary Policy Meeting		
	07:00 PM	USD	Building Permits (Dec)	1.370M	1.351M
		USD	Initial Jobless Claims	212K	205K
		USD	Philadelphia Fed Manufacturing Index (Jan)	-11.0	-13.8
20.01.2023	12:30 PM	GBP	Retail Sales (MoM) (Dec)	0.4%	-0.4%
	08:30 PM	USD	Existing Home Sales (Dec)	3.95M	4.09M

Report prepared by:

Siddhesh Ghare

Head- FX Risk Business

PhillipCapital (India) Pvt. Ltd.

sghare@phillipcapital.in

+91 99634 87722

Disclaimer:

The information and views presented in this report are prepared by Phillip Services India Pvt. Ltd. The information contained herein is based on our analysis and up on sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. While acting upon any information or analysis mentioned in this report, investors may please note that neither Phillip Services India Pvt. Ltd. nor any person connected with any associated companies of Phillip Group accepts any liability arising from the use of this information and views mentioned in this document.