

Currencies Weekly Report

Week of 08.11.2021

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November 8, 2021

Global Economic Review & Outlook

The Fed chose a market neutral taper path with initial reductions of 15bn a month, but they remain ready to adjust the pace of tapering if warranted. We continue to see inflation risks, why the Fed could be “forced” into a swifter taper process.

There is NO DOUBT that inflation will slow in 2022 according to the ECB, which is quite a cocky stance given the uncertainty. Vaccine mandates could lead to even further distortions in the labour supply, which will show up as inflation.

The Fed had the possibility last week to move ahead of the inflation curve by deciding on slightly more aggressive tapering than the USD 15bn per month, but opted not to.

Stock markets are thereby left to roam freely & will further rally and yield curves could steepen.

However, refusal of the USD to weaken on what commentators described as a “dovish” Fed might be a more pertinent read on what’s to come.

There were many instances when Chairman Powell oozed of much less confidence in the transitory inflation storyline than before.

He admitted that supply bottlenecks would be with us much longer than Fed had thought. Also, he didn’t commit to any full employment view.

The lack of confidence means that three rate hikes in 2022 are still possible the non-transitory inflation story continues. The Fed basically has no clue what it will do in the course of 2022.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	16359.38	15498.40	5.56
DOW JONES	36329.07	35819.59	1.42
NIKKEI	29611.57	28892.69	2.49
HANGSENG	24870.51	25377.24	-2.00
CAC	7040.79	6830.34	3.08
DAX	16054.36	15688.77	2.33
FTSE	7303.96	7237.57	0.92
FX	Last Close	Previous Week	% CHANGE
DXV	94.22	94.12	0.11
EURUSD	1.1568	1.1562	0.05
GBPUSD	1.3495	1.3691	-1.43
USDJPY	113.41	113.99	-0.51

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.9298	74.7616	74.5684	--	--
EURINR	86.5994	86.7464	86.3726	--	--
GBPINR	102.4840	102.0152	101.6457	--	--
JPYINR	65.59	65.76	65.49	--	--

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	75.0950	75.6550	76.6125	77.4900	78.3650
Tuesday	74.8575	75.4125	76.3675	77.2525	78.1325
Wednesday	74.6250	75.1775	76.1500	77.0250	77.9050
Thursday	--	--	--	--	--
Friday	--	--	--	--	--

Dollar Outlook

The first full week of November saw the Dollar Index hit fresh yearly highs in the wake of the November Fed meeting and the October nonfarm payrolls report, only to give back some of the gains by the end of trading on Friday.

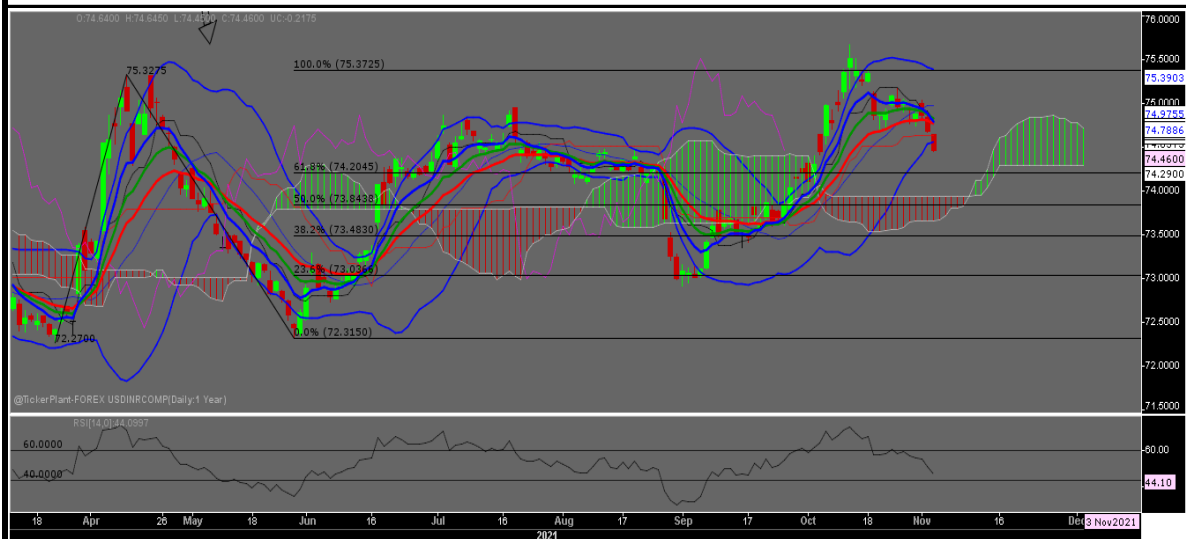
Rate hike odds may have hit a ceiling, and backing away from that ceiling could drag down the US Dollar.

The shift into the mid of November will produce another full schedule of event risk. After the October NFP report, and now that the Fed's communication blackout period is over, several Fed speakers will be in focus. Most events and data releases arrive in the first half of the week ahead.

On Monday, a trio of the top policymakers will give speeches, including Fed Vice Chair Clarida, Fed Chair Powell, and Fed Governor Bowman.

On Tuesday, the October US PPI will be released, while Fed Chair Powell will issue more commentary.

On Wednesday, the October US CPI is due. Weekly US jobless claims figures, September US wholesale inventories and The October US monthly budget statement are few more releases that will bring momentum to FX markets.



The USDINR Daily chart indicates the Dollar after breaching the resistance of 74.35 at the beginning of October, rallied straight to breach the psychological 75 mark and rise even further printing a high of 75.65.

As USDINR was trading near the upper end of the Bollinger band and with the RSI showing the pair to be highly overbought, the pair was expected to fall in the weeks earlier which it followed. We expected the pair to find resistance in the 75-75.30 zone and see further more correction at-least till 74.50 which it did. USDINR closed below the 8-13-20 D-EMAs which are about to give a bearish crossover, but the Bollinger-RSI combination shows the pair has now turned oversold.

74.20 should now act as support in the pair helping USDINR bounce back to 74.60 & 74.85 in the week ahead. We suggest to go long in the pair near 74.20.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 74.26 SL 74.00 TGT 74.60-74.85								74.10 - 75.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		72.90	73.48	74.07	74.26	74.65	74.85	75.23	75.81	76.40	
Exporters Strategy	Exporters are suggested to hedge their November exposure partially (30%) around 75 Spot.										
Importers Strategy	Importers were suggested to hedge 30% November payables at 74.70 Spot. Further 50% to be hedged around 74.20 Spot. Pending to be held open with Stops above 75.00 Spot.										

Euro Outlook

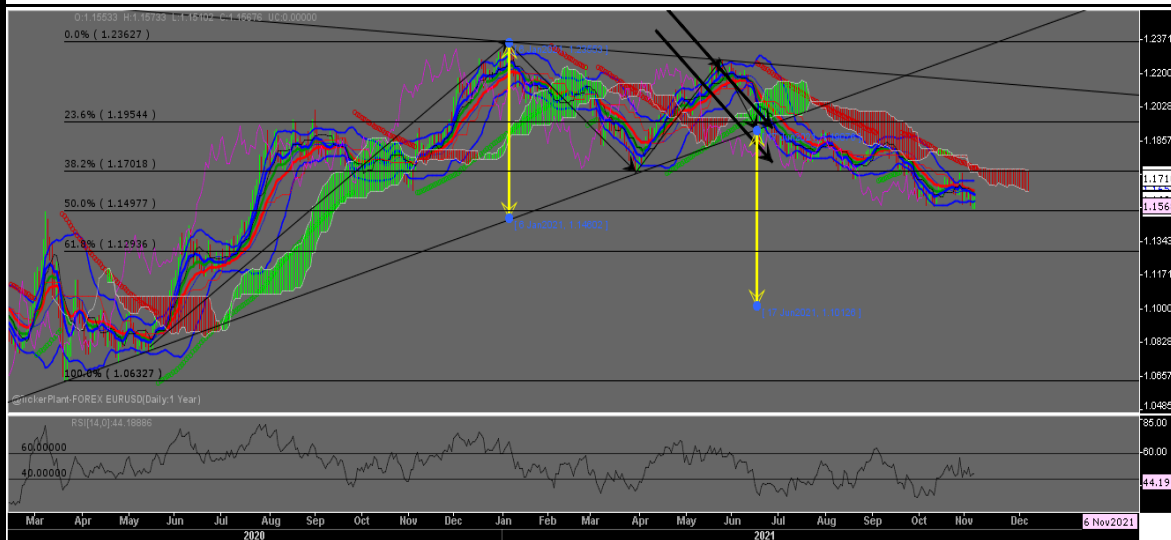
The first half of last week saw EURUSD head higher but the direction reversed Thursday and now the outlook has turned bleaker again, with the long-term downtrend in the pair likely to resume.

As ever, interest rate expectations are key here. ECB President Lagarde's dovish comments on Eurozone monetary policy the week before were largely shrugged off. But if the Fed and BoE meetings last week taught us anything it was that the major central banks are generally more dovish than the markets.

The ECB is very unlikely to raise interest rates next year as inflation remains too low. This is a major setback for Euro in longer term.

Turning to the economic data, with Germany's ZEW economic sentiment index for November arguably the highlight. A drop to 19 from October's 22.3 is predicted, suggesting that economic optimism about the next six months has fallen back – potentially another negative factor for Euro.

10-year German Bund yields minus 0.2255% compared with yields of 0.943% for the 10-year UK Gilt and 1.531% for the 10-year US Treasury note.



The EURUSD Daily chart indicates, the Euro has slipped below the 38.2% Fibo supports of 1.17 which had acted as a support multiple times in recent past.

The pair after finding support at 1.1520 a week earlier which is close to the 50% Fibo retracement of 1.15, had bounced back showing a small reversal and was expected to move up close to the 1.17 major resistance a week earlier, which it did.

EURUSD as it tested 1.1690 levels saw a sharp selling and slipped down to 1.1530 again close to the 1.15 supports.

In the week ahead, though the pair is still in a major downtrend might again see some recovery from the current lower levels and rise up close to 1.17 yet again.

Hence, for the upcoming week we suggest going long on the pair with strict stops below 1.15.

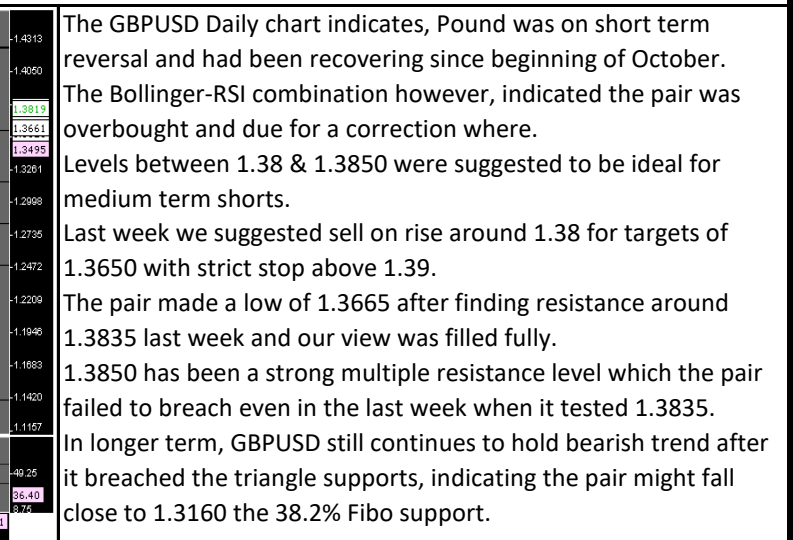
1.17 will still act as a strong resistance.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.1550/30 SL 1.1480 TGT 1.1630				Buy 86/85.80 SL 85.50 TGT 87.00				1.1500-1.1650 85.80-87.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		84.44	85.11	85.78	86.01	86.45	86.68	87.12	87.79	88.46	
Exporters Strategy	Exporters are advised to hedge 50% around 87 & maintain strict stops at 85.50 on Spot for the remaining 50% of the November exposure.										
Importers Strategy	Importers were suggested to hedge 50% around 86.50 on Spot & maintain stops above 87.50 for pending November exposure.										

British Pound Outlook

GBPUSD might not see a sharp recovery as the BoE keeps the benchmark interest rate at the record low of 0.10% in November, and it seems as though the central bank will retain the current course for monetary policy as growth is somewhat restrained by disruption in supply chains.

However, a better-than-expected GDP print may fuel a growing dissent within the BoE on the forward guidance at its last meeting for 2021.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Buy 1.3460/40 SL 1.3400 TGT 1.3550/80				Buy 101 SL 100.50 TGT 101.80-102.20				1.3440-1.3600 100.80-102.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		98.07	99.31	100.56	100.99	101.80	102.24	103.04	104.28	105.53	
Exporters Strategy	Exporters are suggested to hedge their November exposure partially (50%) around 102.50 Pending to be held open with Stops below 101.30.										
Importers Strategy	Importers are suggested to target levels near 101 to hedge their November exposure partially. Pending exposure to be held open with stop above 103.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
08.11.2021	07:30 PM	USD	FOMC Member Clarida Speaks		
	09:00 PM	USD	Fed Chair Powell Speaks		
	10:30 PM	GBP	BOE Gov Bailey Speaks		
		USD	FOMC Member Bowman Speaks		
09.11.2021	03:30 PM	EUR	ZEW Economic Sentiment	20.6	21.0
		EUR	German ZEW Economic Sentiment	20.3	22.3
	06:30 PM	EUR	ECB President Lagarde Speaks		
	07:00 PM	USD	PPI m/m	0.6%	0.5%
		USD	Core PPI m/m	0.5%	0.2%
	07:30 PM	USD	Fed Chair Powell Speaks		
	09:30 PM	GBP	BOE Gov Bailey Speaks		
10.11.2021	07:00 PM	USD	CPI m/m	0.5%	0.4%
		USD	Core CPI m/m	0.4%	0.2%
		USD	Unemployment Claims	266K	269K
	09:00 PM	USD	Crude Oil Inventories		3.3M
11.11.2021	12:30 PM	GBP	Prelim GDP q/q	1.5%	5.5%
	03:30 PM	EUR	EU Economic Forecasts		
12.11.2021	08:30 PM	USD	JOLTS Job Openings	10.55M	10.44M
		USD	Prelim UoM Consumer Sentiment	72.5	71.7
	10:40 PM	USD	FOMC Member Williams Speaks		

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