

Currencies Weekly Report

Week of 19.07.2021



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Global Economic Review & Outlook

Global market sentiment mostly deteriorated this past week, with major benchmark indices underperforming in the U.S. and Europe. Major Wall Street indices fell. Also the FTSE 100 and DAX 30 weakened 1.6% and 0.9% respectively. In Japan, the Nikkei 225 managed to hold a 0.2% gain.

Risk averse investors flocked to the safety of government bonds, sending Treasury prices higher as yields declined. The haven-linked US Dollar benefitted clearly, outperforming most of its major counterparts except for the New Zealand Dollar and Japanese Yen. A hawkish RBNZ rate decision and higher New Zealand CPI data bolstered the Kiwi Dollar.

Growth-linked crude prices were under pressure as OPEC+ output deal uncertainty woes and rising Covid cases amid the emerging Delta variant weighed on market mood. Gold was able to end the week slightly higher even after a higher-than-anticipated inflation report couldn't do much as a still-dovish commentary from Fed Chair Powell.

Ahead, the economic docket notably quiets down. Key events include ongoing earnings reports for U.S. stocks and the ECB monetary policy announcement for the Euro. Tech companies remain in focus amid perceived lofty valuations, with Intel, Netflix and Twitter reporting. EUR/USD may see some volatility with ECB policymakers reportedly split on stimulus guidance.

UK PM Johnson is scheduled to lift pandemic restrictions today. Bitcoin watchers should be aware of a cryptocurrency event on Wednesday. Elon Musk, Jack Dorsey and Cathie Wood are poised to discuss them during this event.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	14427.2	14701.9	-1.87
DOW JONES	34687.85	34870.16	-0.52
NIKKEI	28003.08	27940.42	0.22
HANGSENG	28004.68	27344.54	2.41
CAC	6460.08	6529.42	-1.06
DAX	15540.31	15687.93	-0.94
FTSE	7008.09	7121.88	-1.60
FX	Last Close	Previous Week	% CHANGE
DX	92.69	92.11	0.63
EURUSD	1.1803	1.1875	-0.61
GBPUSD	1.3765	1.3904	-1.00
USDJPY	110.02	110.09	-0.06

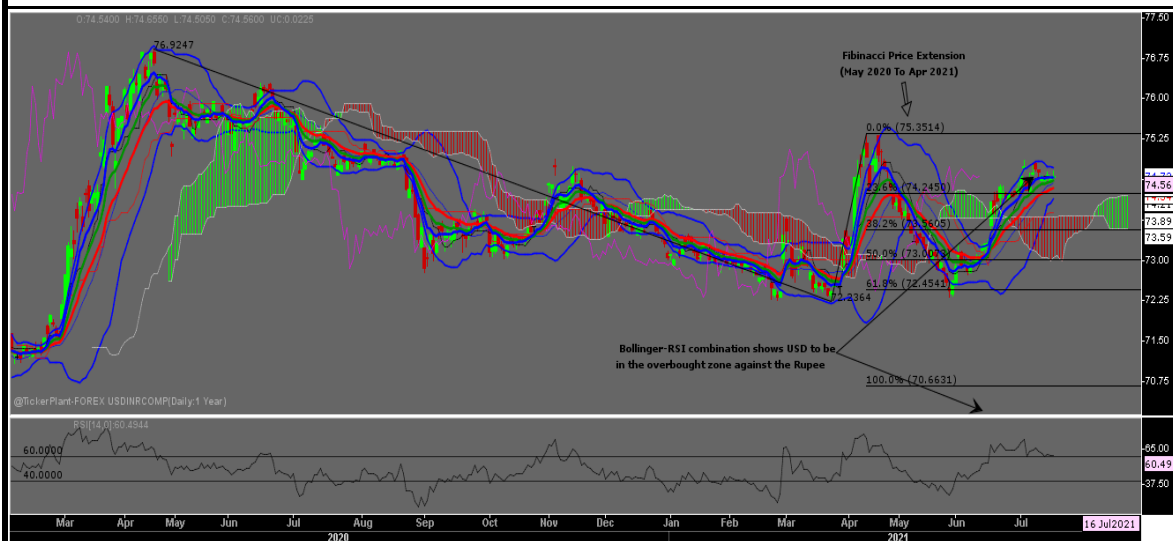
	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	74.4660	74.4884	74.5708	74.5187	74.6232
EURINR	88.3082	88.3522	87.9488	88.2227	88.1081
GBPINR	103.3906	103.4093	103.2294	103.2998	103.1402
JPYINR	67.57	67.49	67.51	67.84	67.84

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	74.6850	75.2050	76.0250	76.8500	77.7900
Tuesday	74.5925	75.1025	75.9125	76.7375	77.6825
Wednesday	74.6775	75.1925	76.0025	76.8325	77.7775
Thursday	74.6075	75.1075	75.9175	76.7575	77.7025
Friday	74.6300	75.1350	75.7550	76.7850	77.7400

Dollar Outlook

The Dollar is in a solid fundamental position that may lead to further gains as Fed taper talk bets increase. Traders began betting on accelerated policy tightening following June's FOMC meeting, which showed an upward revision in the Fed's Dot Plot. Fed Chair Powell is negative that the central bank will begin tapering soon which pushed investors back into US Treasuries.

Markets still appear more convinced that a balance sheet reduction is now on the horizon. The question is when will the Fed send a tangible signal on tapering its balance sheet. If Mr. Powell's recent language is to be considered, a taper still may be far. Yet, Friday's upbeat US retail sales figure shows the US economic recovery remains on solid footing. Meanwhile, the USD is benefiting from safe-haven flows. A resurgence in Covid, driven by the Delta variant, through Asia is seen as a growing threat to global growth. South Korea, Australia, and Japan have seen lockdowns or other forms of social-distancing measures reintroduced. This could be driving foreign demand in the Treasury market, which would also support the Dollar as offshore buyers convert into Dollars to buy the US debt.



The USDINR Daily chart indicates the Dollar has almost recovered from the continued depreciation versus the Rupee since 2nd half of April 21.

Fibonacci price extension drawn for the period May 2020-Apr 2021 shows the pair, after testing the 61.8% Fibo major level of 72.45, has bounced back to test the Upper Bollinger resistance at 74.85 earlier.

The Bollinger-Rsi combination shows the pair has reached its overbought zone and the prices might fall below the 8-13-20 EMAs to test the 23.6% Fibo support of 74.25.

A breach of 74.25 will lead to further downside to the next Fibo support of 38.2% at 73.50.

Pullbacks towards 73.50/30 will see heavy buying in the pair for it to push again towards 74.25 going forward.

However, this week, USD looks due for correction to atleast 74.40.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish	Sell 74.60/80 SL 75.10 TGT 74.40-74.25								74.00 - 75.00		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		73.77	74.03	74.28	74.42	74.54	74.68	74.79	75.05	75.30	
Exporters Strategy	Exporters were suggested to hedge their July exposure around 74.30, 74.50 and 74.80.										
Importers Strategy	Importers are suggested to maintain strict Stops above 75.00 Spot for all July payables and target 74.40 & 74.25 for hedging July payables partially.										

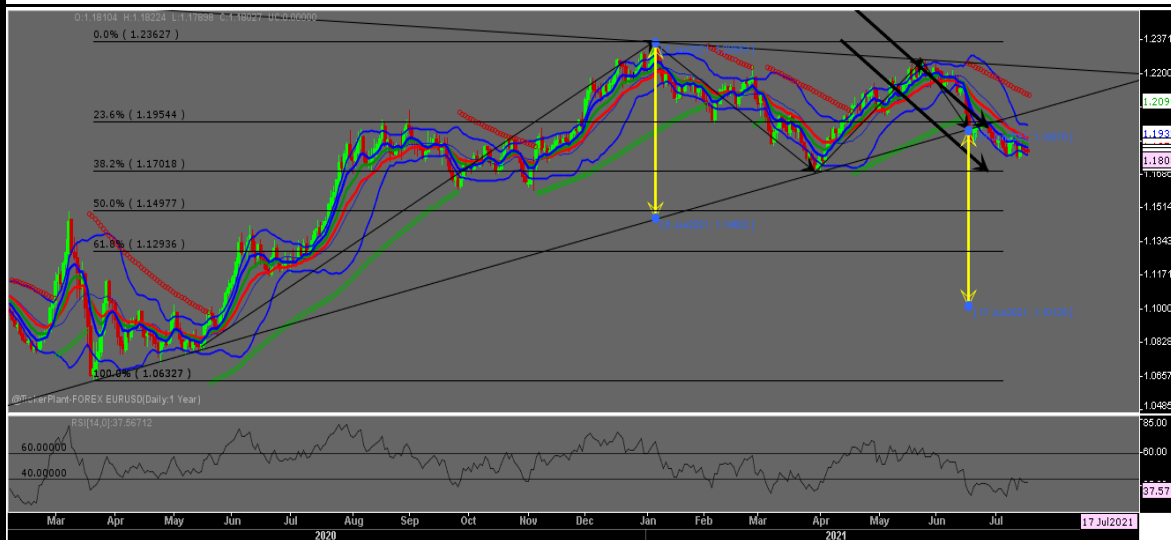
Euro Outlook

The ECB's Governing Council will announce its latest decision on Eurozone monetary policy this coming Thursday and all indications are that it will be one of the last major central banks to tighten policy after the slump caused by the pandemic.

If that continuing dovish stance is confirmed by the ECB and its President Christine Lagarde at her post-meeting news conference, the current weakness of EUR/USD will likely persist even if some of this narrative has already been priced in to the exchange rate.

Speaking just after the ECB raised its inflation goal to 2% and acknowledged it may overshoot the target, Lagarde said the July 22 Governing Council session will have “some interesting variations and changes.” “To deliver on our commitment, forward guidance will certainly be revisited,” she added.

Euro lost against the USD, after this, for two days and, after a brief respite Wednesday, there were more losses further after ECB policymaker Ignazio Visco said the ECB should keep policy ultra-easy to support recovery in the Eurozone and insulate its financial markets from higher interest rates in the US.



The EURUSD Daily chart indicates the Euro has clearly halted earlier after finding a Triangle resistance around 1.2266 and has even breached the lower end of the triangle in second half of June to move even lower to 1.1780 last week, where it tested the lower end of the Bollinger bands while the RSI read below 30 suggesting the pair was oversold.

The Euro failed to move closer to the Upper Bollinger band last week. This week we might see a recovery to 1.1930/50, but the pair is still bearish in the longer term after it breached the Triangle support.

EURUSD now approaches the Fibo resistance at 1.1950 expected to be tested this week.

A breach below recent low of 1.1769 will confirm further downtrend to be continued.

For this week one can go long on the pair for these higher targets of 1.1020/50.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways-Bullish	Buy 1.1800 SL 1.1770 TGT 1.1920-1.1950				Buy 88.00 SL 87.70 TGT 88.50-88.70				1.1800-1.1950 88.00-88.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		85.85	86.62	87.39	87.75	88.16	88.52	88.93	89.70	90.47	
Exporters Strategy	Exporters were advised to hedge 50% around 88.50 & maintain strict stops at 87.80 on Spot for the remaining 50% of the July exposure targetting 89.30/50. (Spot low last week- 87.81)										
Importers Strategy	Importers were suggested to hedge 50% at 88.30 on Spot & maintain stops above 88.80 for remaining of their July exposures and keep booking in parts areoung 88.										

British Pound Outlook

Despite a tough week for GBP/USD, especially towards the end, the Pound remains supported by expectations of a more hawkish Bank of England. The lead-up to the August MPC meeting is drawing more attention as markets increase odds that the BOE will start amending its monetary policy to adapt better to current economic conditions.

Michael Saunders was the focus point last Thursday when he mentioned that inflation could prove to be stubbornly high in the coming months, hinting at the possibility of an interest rate hike in the first half of 2022. Ramsden earlier had made a similar argument regarding the rapid developments since the last forecast was published in May, which had allowed for considerations of tapering sooner than originally expected.

Looking ahead at the UK calendar for next week, we'll have another BOE member speaking on Monday (Haskel) and then little else until the June retail sales and PMIs are published on Friday.



The GBPUSD Daily chart indicates the Pound had faced strong resistance around 1.42 and had earlier breached the ascending triangle support at 1.3965 to test lows of 1.3730 at the start of July.

The pair earlier had been held back near the supports of Lower Bollinger band, following which it saw a recovery to rise above the 8-13-20 EMAs but couldn't sustain above these EMAs past week.

This week GBPUSD can find supports and rise further to move above the EMAs approaching the Upper Bollinger band as the pair has been showing signs of recovery as shown by the Bollinger-RSI combination saying the pair is oversold.

The pair however is still bearish in longer term after it has breached the triangle pattern in the downside.

Levels near 1.3960-1.3980 can see fresh selling in the pair going forward in the near term.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish	Buy 1.3750/40 SL 1.3710 TGT 1.3810-1.3850				Buy 103 SL 102.60 TGT 103.40-103.80				1.3730-1.3860 102.80-103.80		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		101.21	101.86	102.50	102.77	103.15	103.41	103.79	104.44	105.08	
Exporters Strategy	Exporters were suggested to hedge their July exposure partially (50%) around 103.50 pending to be held open with Stops below 102.50. (Spot high 103.53 last week)										
Importers Strategy	Importers were suggested to target levels near 102.50 to hedge their July exposure partially (triggered). Pending exposure to be held open with Stops above 103.80.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
19.07.2021	03:30 PM	GBP	MPC Member Haskel Speaks		
21.07.2021	08:00 PM	USD	Crude Oil Inventories		-7.9M
22.07.2021	05:15 PM	EUR	Monetary Policy Statement		
		EUR	Main Refinancing Rate	0.0%	0.0%
	06:00 PM	EUR	ECB Press Conference		
		USD	Unemployment Claims	350K	360K
23.07.2021	11:30 AM	GBP	Retail Sales m/m	0.0%	-1.4%
	12:45 PM	EUR	French Flash Manufacturing PMI	58.1	59.0
		EUR	French Flash Services PMI	58.7	57.8
	01:00 PM	EUR	German Flash Manufacturing PMI	64.2	65.1
		EUR	German Flash Services PMI	59.4	57.5
	01:30 PM	EUR	Flash Manufacturing PMI	62.6	63.4
		EUR	Flash Services PMI	59.4	58.3
	02:00 PM	GBP	Flash Manufacturing PMI	62.3	63.9
		GBP	Flash Services PMI	62.1	62.4
	07:15 PM	USD	Flash Manufacturing PMI	62.0	62.1
		USD	Flash Services PMI	64.6	64.6

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