

# Currencies Weekly Report

Week of 27.02.2023

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## Global Economic Review & Outlook

Disinflation trends are struggling and Dollar Outlook Turns More Bullish as Bond Yields skyrocket Post PCE Data. DXY closed last week at its best level since early January.

The Euro lost against the US Dollar on Friday, despite news that the Eurozone economy finally managed some growth last month.

As it has been a data-dependant market throughout the month of February and more specifically in the last week, the currencies shall continue to rely on further data for setting a clear trend. Markets will see if improving manufacturing and service activity will further fuel pricing pressures. Central bank speak will be closely monitored coming from Fed members and those at the ECB & the BoE. In China, the official manufacturing and non-manufacturing PMIs for January will be released on Wednesday, in what will otherwise be a relatively quiet week. All eyes are on the transition and how quickly and strongly the economy will bounce back, with stimulus measures over the next couple of months likely to turbo-charge the recovery. India GDP and PMI data eyed next week, with the economy seen performing strongly again in Q3 and surveys indicating ongoing optimism.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11394.94	11787.27	-3.33
DOW JONES	32817.05	33826.92	-2.99
NIKKEI	27453.48	27513.13	-0.22
HANGSENG	20010.04	20719.81	-3.43
CAC	7187.27	7347.72	-2.18
DAX	15209.74	15482.00	-1.76
FTSE	7878.66	8004.36	-1.57
FX	Last Close	Previous Week	% CHANGE
DXY	105.26	103.86	1.35
EURUSD	1.0545	1.0694	-1.40
GBPUSD	1.1940	1.2041	-0.84
USDJPY	136.49	134.15	1.74

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	82.6902	82.7562	82.8434	82.7628	82.7432
EURINR	88.4102	88.3202	88.2818	87.9178	87.7045
GBPINR	99.5739	99.5579	100.2803	99.8517	99.4937
JPYINR	61.67	61.58	61.43	61.40	61.49

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	82.7450	83.1125	83.5250	83.9375	84.3600
Tuesday	82.8025	83.1675	83.5900	84.0000	84.4200
Wednesday	82.8625	83.2250	83.6475	84.0600	84.4800
Thursday	82.7350	83.0900	83.5125	83.9225	84.3425
Friday	82.8775	83.2625	83.6850	84.0975	84.5200

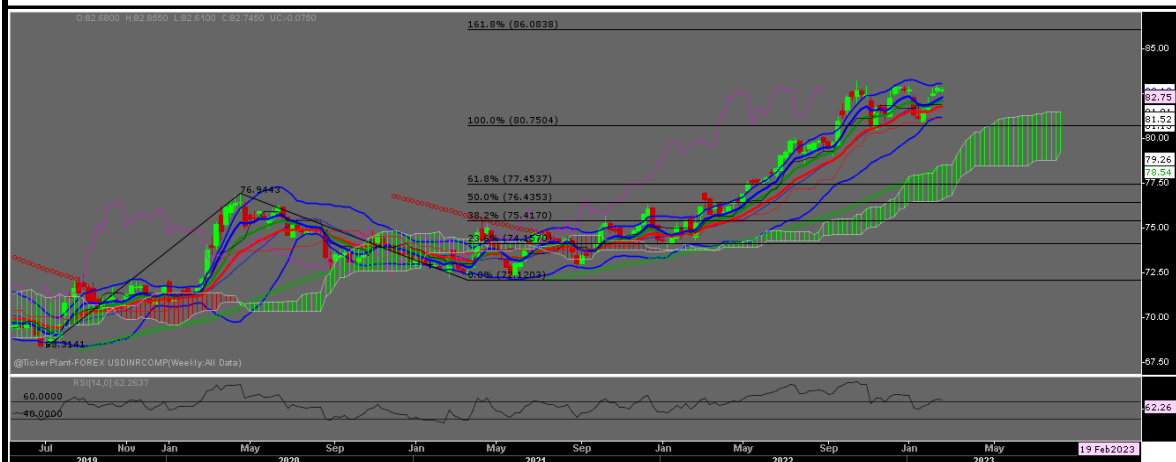
## Dollar Outlook

The Dollar Index rose this past week for the fourth consecutive week, notching to its best close since January, supported by the surge in U.S. bond yields. The recent move in the fixed income space has been driven by a hawkish repricing of the Fed's tightening path in response to a string of hotter-than-expected economic reports.

Strong labor market data along with persistently elevated price pressures, have boosted expectations for the Fed's terminal rate, lifting it to 5.39%, a figure that implies about three additional 25bp hikes.

The higher peak for borrowing costs envisioned by Wall Street has strengthened Treasury yields across the curve, especially those at the front end. This has been an upside catalyst for the Dollar.

The current dynamic is not likely to change any time soon. In fact, the January PCE numbers released last Friday, which showed an unexpected acceleration in the Fed's favorite inflation gauge, suggest that policymakers will have no choice but to maintain an aggressive stance for longer, indefinitely delaying a monetary policy pivot.



The USDINR Weekly chart indicates the pair has been stagnant throughout February, but saw some upward momentum developing towards the end of last week after a higher PCE data. USDINR continued to appreciate last week as it managed to rise upto 82.85 and with the bullish sentiments developing over the weekend can open further rise higher to test the big figure resistance at 83. However, 83.30 has been a major resistance which the pair might not be able to break even if it moves past 83. The Bollinger-RSI combination indicates the pair is overbought and might witness some retracement and the coming week could result into correction in USDINR.

The Dollar however is gaining strength globally and can easily dominate the Rupee and sentiments around it.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 82.85-83.00 SL 83.30 TGT 82.65-82.50								81.40-82.70		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		82.00	82.25	82.49	82.62	82.74	82.86	82.98	83.23	83.47	
Exporters Strategy	Exporters are advised to hedge 50% of their March exposure between 82.80-83.00 Spot. Pending to be held open with Stop below 82.00.										
Importers Strategy	Importers are advised to hold their March exposure open/unhedged with Strict Stop above 83.30 or 83.50 Spot.										

# Euro Outlook

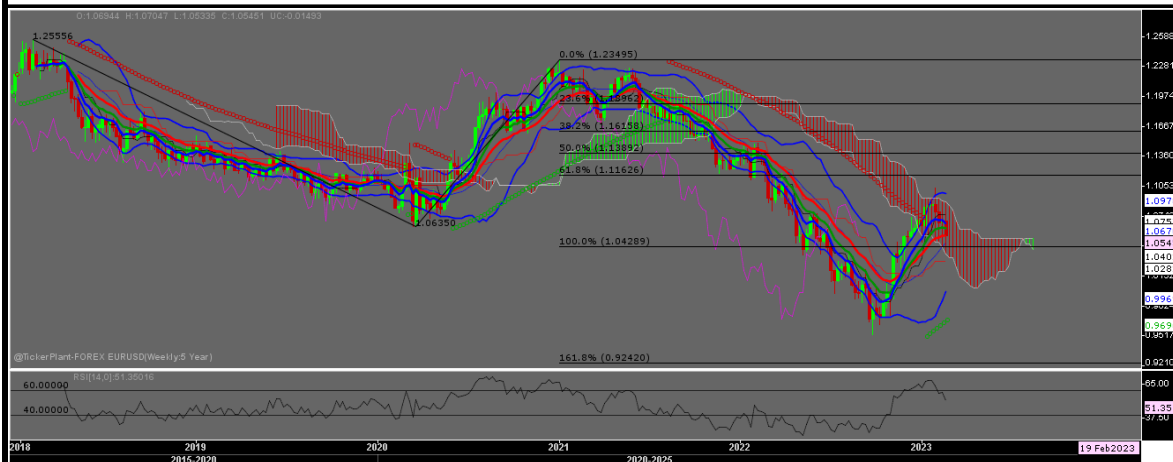
After the ECB raised interest rates by a half-percentage-point the Euro slipped in the wake of that decision even though it flagged the probability of another similar increase next month. The meeting and its aftermath were well within market expectations and it takes a major hawkish surprise to support a currency much these days and there was no such thing on offer.

The Euro was left on backfoot after worse than expected German GDP data and GfK consumer confidence for March. The GDP numbers showed that the German economy contracted (-0.4%) in Q4 2022 and has brought back to the table “recessionary” talks.

Next week offers a number of economic data points, the most notable of which will be the flash HICP readings. While headline inflation has been falling, core remains at the peak and policymakers are unlikely to ease off the brake until they're seeing progress on this front. Forecasts suggest it's still a little early for that.

Markets are still pricing in a 50bp hike at the meeting in March although there's an almost equal chance of 75, based on current rates.

This brings us to the central bank speak, kicking off with President Lagarde who's due to appear at the G20 conference over the weekend.



The EURUSD Weekly chart indicates the pair, after a continued upward move in January, found resistance near the Upper Bollinger band and also at the upper end of the bearish Ichimoku cloud to drop down continuously throughout February. EURUSD settled close to the 20-Weekly-EMA after slipping below the 8-W-EMA and the RSI indicates further downside in the pair at least till it tests the 100% Fibo retracement at 1.0430 as seen in charts.

The failure of EURUSD to move past the bearish Ichimoku cloud formation in itself is a major setback for the pair and confirms that the pair is not expected to gain upward momentum anytime soon. In the week ahead, one can go short on EURUSD & EURINR with strict Stops.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 1.0600-1.0650 SL 1.0750 TGT 1.0480-1.0420				Sell 87.90-88.20 SL 88.80 TGT 87.20-86.90				1.0420-1.0650   86.90-88.20		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		85.11	86.04	86.96	87.27	87.88	88.19	88.80	89.73	90.65	
Exporters Strategy	Exporters are advised to hold their March exposure open/unhedged with Strict Stop below 87.00 Spot. Target 88.50 to hedge 50%.										
Importers Strategy	Importers are advised to hedge 50% of their March payables around 87.50 Spot. Pending to be held open with Stop above 88.50 on Spot targetting 87.00.										



## Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
27.02.2023	07:00 PM	USD	Core Durable Goods Orders (MoM) (Jan)	0.1%	-0.2%
	08:30 PM	USD	Pending Home Sales (MoM) (Jan)	1.0%	2.5%
28.02.2023	08:30 PM	USD	CB Consumer Confidence (Feb)	108.5	107.1
01.03.2023	07:00 AM	CNY	Manufacturing PMI (Feb)	49.8	50.1
	07:15 AM	CNY	Caixin Manufacturing PMI (Feb)		49.2
	02:25 PM	EUR	German Manufacturing PMI (Feb)	46.5	46.5
		EUR	German Unemployment Change		-15K
	03:00 PM	GBP	Manufacturing PMI (Feb)	49.2	49.2
	03:30 PM	GBP	BoE Gov Bailey Speaks		
	05:30 PM	EUR	German CPI (YoY) (Feb)	8.7%	8.7%
	08:30 PM	USD	ISM Manufacturing PMI (Feb)	48.0	47.4
	09:00 PM	USD	Crude Oil Inventories		7.648M
02.03.2023	03:30 PM	EUR	CPI (YoY) (Feb)	8.2%	8.6%
	06:00 PM	EUR	ECB Monetary Policy Statement		
	07:00 PM	USD	Initial Jobless Claims	197K	192K
03.03.2023	03:00 PM	GBP	Composite PMI (Feb)	53.0	53.0
		GBP	Services PMI (Feb)	53.3	53.3
	08:30 PM	USD	ISM Non-Manufacturing PMI (Feb)	54.5	55.2

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