

Currencies Weekly Report

Week of 21.11.2022

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November 21, 2022

Global Economic Review & Outlook

Last week, Fed speak offered a clear message: that despite the recent drop in inflation, there was still more tightening that would need to be done – and to a terminal rate higher than they previously projected.

The situation within the eurozone has not changed much with continued geopolitical tensions giving rise to the energy threats that seem to recede and flow periodically. ECB officials seem to be divided on whether to go with rate hikes or with quantitative tightening.

Global market sentiment was a mixed bag last week. It was a relatively disappointing 5 days for Wall Street while things were looking relatively bright in Europe.

Wall Street's shortened trading week will be jam-packed with the FOMC minutes, more Fed speak, the flash PMIs and the final look at the University of Michigan's inflation expectations.

The Fed is set to publish the minutes of its November meeting on Wednesday with investors eager for any sign that policymakers may be considering slowing the tightening process.

The Chinese central bank's pledge to step up supportive policy measures should be on display on Monday, when key loan prime rates are set.

Britain is already facing a lengthy recession. Eurozone economic growth has held up better than expected and labor markets remain relatively robust. But recession risks are still looming amid energy shortages and elevated inflation.

INDICES	Last Close	Previous Week	% CHANGE
NASDAQ	11146.06	11323.33	-1.57
DOW JONES	33747.14	33749.18	-0.01
NIKKEI	27899.77	28263.57	-1.29
HANGSENG	17992.54	17325.66	3.85
CAC	6644.46	6594.62	0.76
DAX	14431.86	14224.86	1.46
FTSE	7385.52	7318.04	0.92
FX	Last Close	Previous Week	% CHANGE
DX	106.97	106.29	0.64
EURUSD	1.0325	1.0354	-0.28
GBPUSD	1.1887	1.1835	0.44
USDJPY	140.37	138.77	1.15

	RBI Reference Rate				
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
USDINR	81.2332	81.4280	81.3354	81.6335	81.6975
EURINR	83.7455	84.1309	84.4115	84.7726	84.7078
GBPINR	95.5059	95.8929	96.5836	97.1945	97.2271
JPYINR	58.27	58.02	58.17	58.53	58.42

	USDINR Forward Rates (Month End)				
	1 Month	3 Month	6 Month	9 Month	12 Month
Monday	81.3150	81.6750	82.1750	82.6225	83.0700
Tuesday	81.1500	81.4850	81.9800	82.3950	82.8300
Wednesday	81.3500	81.6800	82.1800	82.5950	83.0250
Thursday	81.6750	81.9950	82.4850	82.8925	83.3000
Friday	81.7150	82.0400	82.5600	82.9650	83.3650

Dollar Outlook

The Fed's minutes from the November policy meeting will be closely watched where financial markets will want to know if the Fed still believes that the cost of taking too little action to bring down inflation likely outweighed the cost of taking too much action.

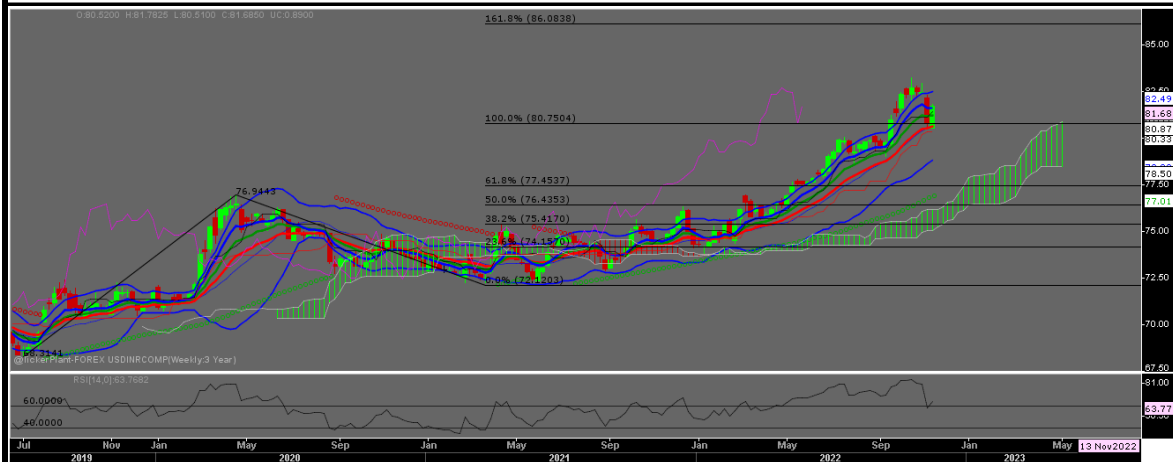
While Fed officials have been alluding to a slower pace of tightening, they have also been underscoring the case for ongoing rate hikes. Meanwhile, US retail sales surprised higher, highlighting the economy's resilience in the face of rising interest rates.

The Fed is expected to downshift to a 50bp hiking pace in Dec., but that rate-hiking cycle could last longer if pricing pressures become more entrenched.

As a result of rising Fed rate hike bets last week, the US Dollar found some momentum against its major peers.

US stock and bond markets will be closed Thursday for Thanksgiving Day and will close early on Friday. Traders will pay close attention to Black Friday shopping data, which will give the latest pulse on the health of the US consumer.

The most notable event risk is FOMC meeting minutes, which may continue underscoring the case for tightening, albeit at a slower pace. The ECB's equivalent will also cross the wires for the Euro.



The USDINR Weekly chart indicates the pair, after testing near 83.25 in the week earlier has cooled off to spend much of the last week around 81.40.

The pair which was in an extremely overbought zone throughout Oct. has witnessed a sharp correction as expected in Nov.

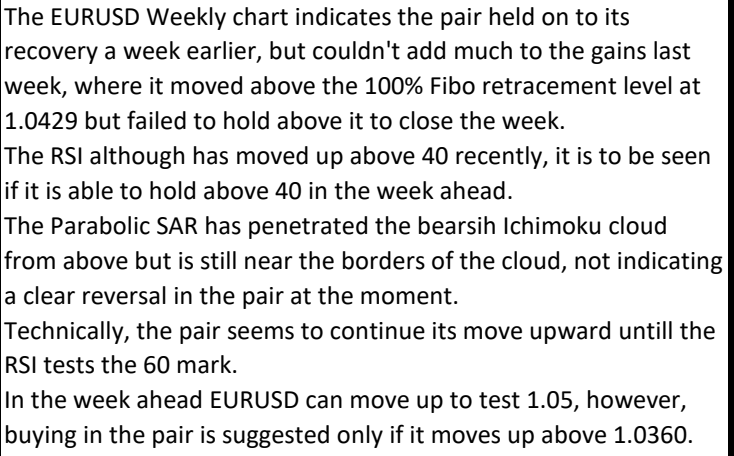
Although, there has been a complete range shift in the pair in October, it is too early to say if this 81-83.50 range would be sustained. 80.75 would act as a major support to USD for that matter.

USDINR has tested the Middle Bollinger with RSI at 60 and has managed to close above the 8-13-20 Weekly EMAs. However, in the week ahead the pair can face resistance around 82-82.30 again and drop down back to levels around 81.

Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bearish - Sideways	Sell 82.10-82.30 SL 82.60 TGT 81.40-80.90								80.80-82.30		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		77.51	78.78	80.05	80.87	81.33	82.14	82.60	83.87	85.14	
Exporters Strategy	Exporters were advised to hedge 50% of their November exposure around 82.50 Spot and 30% around 82.80 Spot. Pending was held open with Stops below 81.80. Stop Triggered.										
Importers Strategy	Importers were advised to hold November exposure open with Stop above 83.30 Spot. 50% booked around 81.80. Pending to be booked around 80.80.										

Euro Outlook

German PMIs and IFO could indicate a contraction of German industrial output as early as over the coming quarters. This is likely driven by both the energy crisis, component shortages and the link to the Chinese economy.

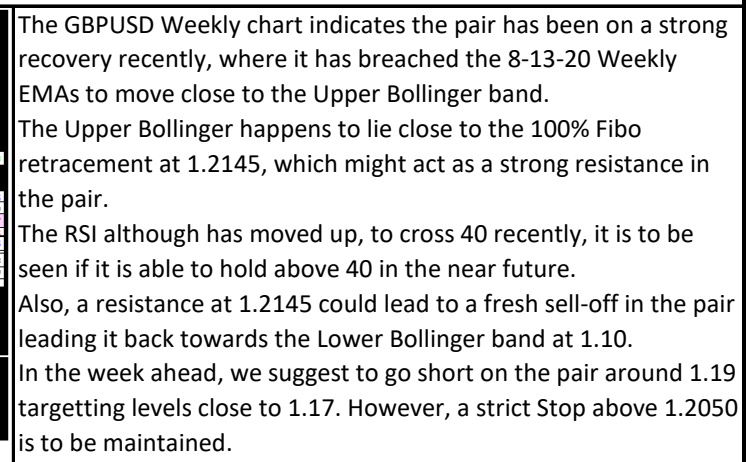


Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Bullish-Sideways	Buy above 1.0360 SL 1.0260 TGT 1.0460-1.05				Buy 84.30-84.10 SL 83.60 TGT 85.30				1.0300-1.0500 84.00-85.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		79.09	80.82	82.54	83.64	84.27	85.37	86.00	87.73	89.45	
Exporters Strategy	Exporters were advised to hedge 50% of their November exposure around 82.50 Spot. Pending to be held open with Stops below 83.00. Targeting 85.00.										
Importers Strategy	Importers were advised to hedge 50% of their November payables around 81.50. Add 25% around 80.00 Spot. Pending to be held open with Stops above 82.00 on Spot. Stop Triggered.										

British Pound Outlook

The only question that remains is how soon the BoE can pause its tightening among all of these other pressures. It alluded to the fact that markets are pricing in too much at the last meeting but at this moment, another 150 bps are still priced in.

The Office for Budget Responsibility (OBR) forecast indicated that the UK is currently in a recession, which will see unemployment jump from 3.5% to 4.9%. The BoE's outlook is even worse, with unemployment forecast to hit 6.5% and negative growth expected in the H2 of this year, throughout 2023 and into the first half of 2024. GDP declined by 0.2% in the third quarter, and the headwinds look formidable for the UK economy and the British pound.



Weekly Bias	Weekly Trading Strategy (SPOT)								Weekly Range		
Sideways	Sell 1.1880-1.1950 SL 1.2050 TGT 1.1730				Sell 97.40-97.60 SL 98.40 TGT 96.60-95.60				1.1700-1.1950 95.00-97.50		
Pivot Levels		S4	S3	S2	S1	Pivot	R1	R2	R3	R4	
		88.50	91.22	93.93	95.67	96.64	98.38	99.35	102.07	104.78	
Exporters Strategy	Exporters were advised to hedge their November exposure partially (50%) around 96 Spot. Pending to be hedged around 97.50 Spot.										
Importers Strategy	Importers were advised to hedge partially (50%) near 94.50 Spot for November exposure and 30% around 93.00. Pending to be held open with Stop above 95.50 Spot. Stop Triggered.										

Economic Data for the Week

Date	Time	Currency	Data	Forecast	Previous
21.11.2022	01:00 AM	EUR	ECB President Lagarde Speaks		
23.11.2022	02:00 PM	EUR	German Manufacturing PMI (Nov)	45.2	45.1
	03:00 PM	GBP	Composite PMI	47.2	48.2
		GBP	Manufacturing PMI	45.7	46.2
		GBP	Services PMI	48.0	48.8
	06:30 PM	USD	Building Permits		1.526M
	07:00 PM	USD	Core Durable Goods Orders (MoM) (Oct)	0.1%	-0.5%
		USD	Initial Jobless Claims	225K	222K
	08:30 PM	USD	New Home Sales (Oct)	570K	603K
	09:00 PM	USD	Crude Oil Inventories		-5.400M
24.11.2022	12:30 AM	USD	FOMC Meeting Minutes		
	02:30 PM	EUR	German Ifo Business Climate Index (Nov)	85.0	84.3
	06:00 PM	EUR	ECB Publishes Account of Monetary Policy Meeting		
25.11.2022	12:30 PM	EUR	German GDP (QoQ) (Q3)	0.3%	0.3%

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