



# Currency Weekly

Monday, March 18, 2019

**Market Outlook:**

Rupee continued to strengthen against the US dollar and fund inflows in India was one of the major trigger for strengthening of the currency.

India's inflation in February rose at 2.54% compared to downwardly revised figure in January; inflation in January grew at 1.97%.

Industrial production in January rose 1.7% compared to growth of 2.5% in the previous month. Slower growth raises prospects of rate cut by RBI in the coming meeting.

Trade deficit in February narrowed to a 17-month low of \$9.6billion as merchandise imports fell on the back of lower crude oil prices.

Dollar rose after retail sales in the US rose 0.2% in February compared to contraction in the previous month.

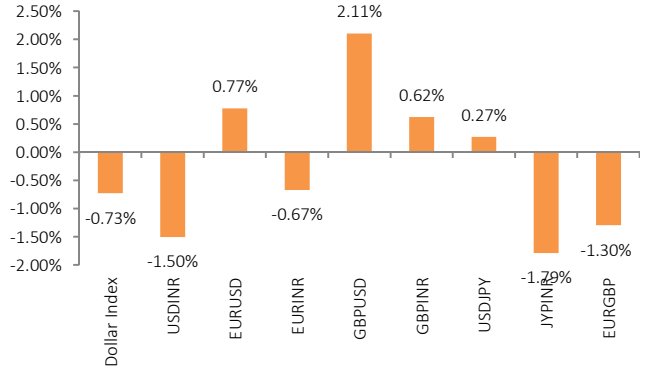
Volatility in pound remained high ahead of the Brexit vote that was scheduled last week. The UK parliament rejected the deal and at the end of three days decided to extend the deadline.

Growth in China's industrial output fell to a 17-year low in the first two months of the year, pointing to further weakness in the world's second-biggest economy that is likely to trigger more support measures from China.

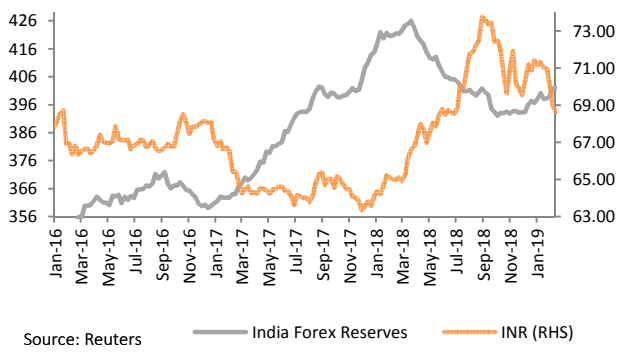
Bank of Japan in its policy statement held rates unchanged but tempered its optimism that robust exports and factory output will underpin growth.

This week, market participants will be keeping an eye on the FOMC policy statement; expectation is that the central bank could hold rates unchanged and maintain dovish stance.

Major Global Currencies % change for the week

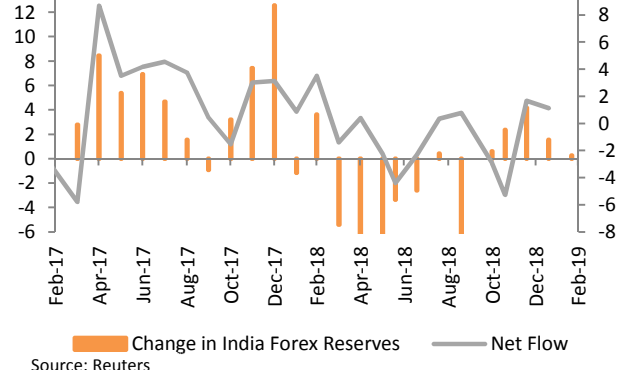


Rupee v/s Forex Reserves Weekly



Source: Reuters — India Forex Reserves — INR (RHS)

Net flows and Change in Forex Reserve (in Billion)



Source: Reuters — Change in India Forex Reserves — Net Flow

## USDINR:

Rupee rose against the US dollar primarily on back of fund inflows in India as FIIs continued to remain upbeat on the India economy. Last week, inflation and industrial production were slightly disappointing suggesting that the RBI in its coming meeting could consider cutting rates in the coming meeting. Inflation in February rose and at the same time industrial production fell in January as compared to the previous month. RBI in its latest circular decided to hold a \$5 billion foreign-exchange swap auction for a three-year tenor in a step to curb further appreciation of the currency. For the week, if the flows continued to remain strong rupee could continue to trade on a stronger note.

### Technically:

As shown on the weekly chart, USDINR extended its recent bearish tone as it fell and closed at a 6-month low near 69.25 – down by about 1.5% over the period. The pair had earlier broken strong short-term support at 70.70-70.80 zone. Looking ahead, the short-term bias remains bearish below immediate stiff resistance at 69.80-69.95 zone and failure to breach the same could result in further dip towards July 2018 low near 68.40 mark. Selling on rallies is thus advised.

## EURUSD:

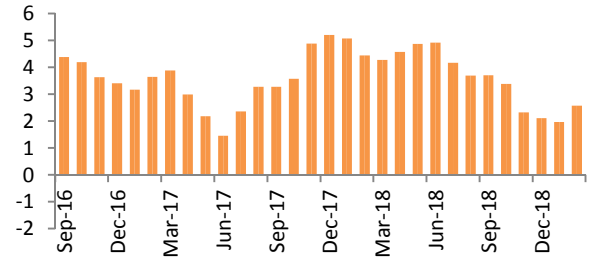
Euro came under pressure after the ECB in its policy statement decided to hold rates unchanged and held a dovish stance. The central bank expect them to remain at their present levels at least through the end of 2019, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term. Recent economic numbers released from the Euro zone have been in line with expectation but importantly the currency has been getting trigger from the Brexit vote. Market participants will also be keeping an eye on the FOMC policy statement and expectation is that the central bank could maintain a dovish stance this could extend gains for the currency. Apart from FOMC policy statement, the EU summit will be important to gauge a view for Euro and pound.

### Technically:

As shown on the weekly chart, EURINR traded in a relatively lower range between 79.10-78.40 before closing at an 8-month low near 78.50 – down by about half a percent for the period. The pair had earlier seen its worst decline since October 2018 after breaching channel support near 80.30. Looking ahead, the short-term bias remains negative below immediate resistance at 79.10-79.30 range and sustained breach of support at 78.50 could trigger further decline towards lower supports at 77.90-77.40 levels. Selling on rallies is thus advised.



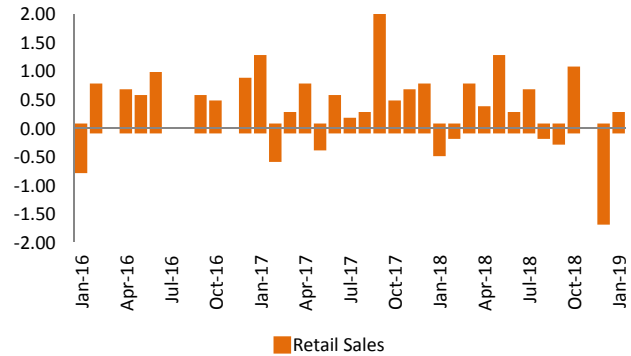
## Indian CPI (MoM)



Source: Reuters



## US Retail Sales m/m%



Source:

## EURINR WEEKLY CHART



**GBPUSD:**

Pound continued to trade with volatility but broadly remain in the higher range after the UK Parliament signalled that it is strongly against leaving the European Union without a deal. On the 14th the UK Parliament voted to postpone the Brexit deadline — but it’s now up to the European Union to agree to an extension. May has said that she would ask the EU for “a short limited technical extension,” until June 30, if Parliament approved her Brexit deal on March 20. This week, from the UK EU summit will be important to watch and if the UK Prime Minister manages to get an approval on the extension of deadline then the pound could extend further gains. In the recent past, market participants have been focusing less on the economic number and more on the development on the Brexit front.

**Technically:**

As shown on the weekly chart, GBPINR swung in a wide range between support at 91-90.80 zone and 92.80 mark before closing absolutely flat for the period at 91.85. Looking ahead, the pair is now likely to find support at 91.00-90.80 range and buying on dips is advised as long as the same is held. Test of higher resistance zone at 93.50-93.70 looks likely over the short-term.

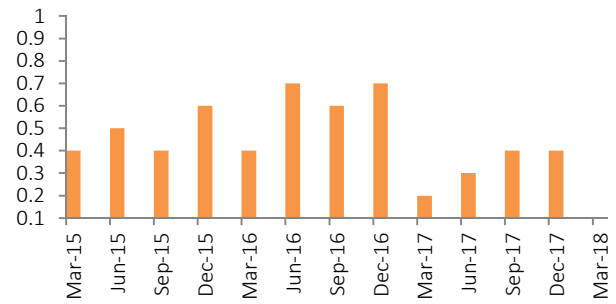
**USDJPY:**

Japanese Yen came under pressure on back of prevailing risk-on sentiment in the market and expectation that the Brexit related volatility could ease-off in the coming sessions. Last week, Bank of Japan released its policy statement wherein the central bank governor decided to hold rates unchanged but tempered its optimism that robust exports and factory output will underpin growth. In a nod to the increased risks, the BOJ cut its assessment on overseas economies to say they are showing signs of slowdown. It also revised down its view on exports and output. This week, from Japan preliminary manufacturing PMI and BoJ meeting minutes will be released.

**Technically:**

As shown on the weekly chart, JPYINR broke through trendline support near 62.90 to close at a 4-month low near 62 mark – down by more than 2% for the period. Looking ahead, the pair now looks headed towards lower support zone at 61.80-61.60. Selling on rallies towards immediate resistance at 62.50-62.60 zone is thus advised.

**UK GDP QoQ**

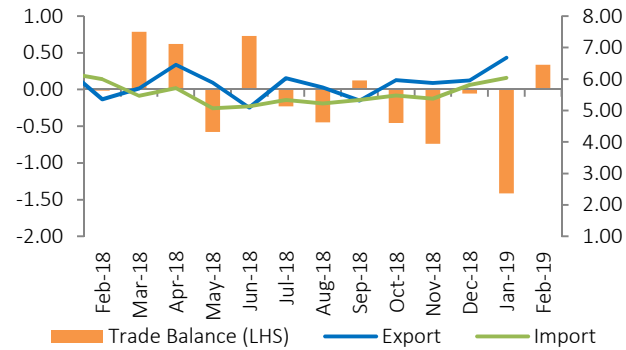


Source: Reuters

**GBPINR WEEKLY CHART**



**Trade Balance in trillions Yen**



Source: Reuters

**JPYINR WEEKLY CHART**



## Weekly Economic Calendar

Time	Cur.	Imp.	Event	Forecast	Previous
<b>Monday, March 18, 2019</b>					
10:00	JP	High	Industrial Production (MoM) (Jan)	-3.70%	-3.70%
15:30	EU	High	Trade Balance (Jan)	-8.0B	17.0B
<b>Tuesday, March 19, 2019</b>					
15:00	UK	High	Average Earnings Index +Bonus (Jan)		
15:00	UK	High	Claimant Count Change (Feb)		-0.40%
15:00	UK	High	Unemployment Rate (Jan)	2.43%	2.05%
15:30	EU	Low	Wages in euro zone (YoY) (Q4)	2.20%	2.20%
17:30	IN	Low	Current Account (USD)		0.20%
<b>Wednesday, March 20, 2019</b>					
5:20	JP	Low	Monetary Policy Meeting Minutes		
15:00	UK	High	CPI (YoY) (Feb)	1.80%	1.80%
20:00	US	High	Crude Oil Inventories	1.602M	-3.862M
20:00	UK	High	UK Parliament vote on Brexit deal		
23:30	US	High	FOMC Statement		
23:30	US	High	Fed Interest Rate Decision	2.50%	2.50%
<b>Thursday, March 21, 2019</b>					
All Day		Holiday	Japan - Vernal Equinox		
All Day		Holiday	India - Holi		
0:00	US	High	FOMC Press Conference		
15:00	UK	High	Retail Sales (MoM) (Feb)	-0.40%	1.00%
17:30	UK	High	BoE Interest Rate Decision (Mar)	0.75%	0.75%
18:00	US	Low	Initial Jobless Claims	226K	229K
20:30	EU	High	Consumer Confidence (Mar)	-7.4	-7.4
<b>Friday, March 22, 2019</b>					
5:00	JP	High	National Core CPI (YoY) (Feb)	0.80%	0.80%
14:30	EU	High	Services PMI (Mar)	52.7	52.8
15:00	EU	High	EU Leaders Summit		
17:00	IN	Low	FX Reserves, USD		402.04B
19:15	US	High	Services PMI (Mar)	56.6	56
23:30	US	High	Federal Budget Balance (Feb)	-229.0B	9.0B

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