

Currency Weekly

May 02, 2022

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US Dollar jumps to two-decade as markets await FOMC meeting outcome

Highlights for the week ending April 29, 2022

US

- US Dollar Index gained by 1.72 % last week to close at 102.96
- US 10-year treasury yields gained by 1.14% last week to 2.9375%
- US Core PCE price index increased by 0.3% in March 2022 as compared to 0.3% in February 2022
- US Chicago PMI declined to 58.5 in April 2022 as compared to 62.9 in March 2022
- US economy contracted by 1.4% Q-o-Q in Q1 CY2022 as compared to expansion by 6.9% in Q4 CY2021
- US weekly unemployment declined to 180,000 for the week ended April 23 as compared to 185,000 in the previous week
- US trade deficit jumps to \$125.3 billion in March 2022 as compared to \$106.30 billion in February 2022
- US pending home sales declined by 1.2% in March 2022 as compared to -4% in February 2022
- US core durable goods orders increased by 1.1% in March 2022 as compared to -0.5% in February 2022
- US durable goods orders increased by 0.8% in March 2022 as compared to -2.1% in February 2022
- US consumer confidence declined to 107.30 in April 2022 as compared to 107.60 in March 2022
- US new home sales declined to 763,000 in March 2022 as compared to 835,000 in February 2022

China

- China Caixin Manufacturing PMI declined to 46 in April 2022 as compared to 48.1 in March 2022

Japan

- Bank of Japan kept interest rates unchanged at -0.1%
- Japan's industrial production increased by 0.3% m-o-m in March 2022 as compared to 2% in February 2022
- Japan's unemployment rate declined to 2.6% in March 2022 as compared to 2.7% in February 2022
- Japan's core CPI rose 1.1% y-o-y in March 2022 as compared to 1% in February 2022

Germany & France

- Economy expanded by 0.2% in Q1 CY2022 as compared to contraction by 0.3% in Q4 CY2021
- Consumer inflation rose 7.4% y-o-y in April 2022 as compared to 7.3% in March 2022
- GfK consumer climate declined to -26.5 for May 2022 as compared to -15.7 in April 2022
- IFO business climate improved to 91.80 in April 2022 as compared to 90.80 in March 2022
- French economy contracted by 1.3% in Q1 CY2022 as compared to expansion by 0.9% in Q4 CY2021

Euro Area

- Euro Area economy expanded by 0.2% in Q1 CY2022 as compared to 0.3% in Q4 CY2021
- Euro Area inflation rose 7.5% y-o-y in April 2022 as compared to 7.4% in March 2022
- Euro Area core inflation rose 3.5% y-o-y in April 2022 as compared to 2.9% in March 2022

Equity markets

INDICES	29-04-2022	22-04-2022	% CHANGE
DJIA	32,977.21	33,811.40	-2.47%
DAX	14,097.88	14,142.09	-0.31%
FTSE	7,544.55	7,521.68	0.30%
HANGSN	21,089.39	20,638.52	2.18%
NIKKIE	26,847.90	27,105.26	-0.95%
NIFTY	17,102.55	17,171.95	-0.40%

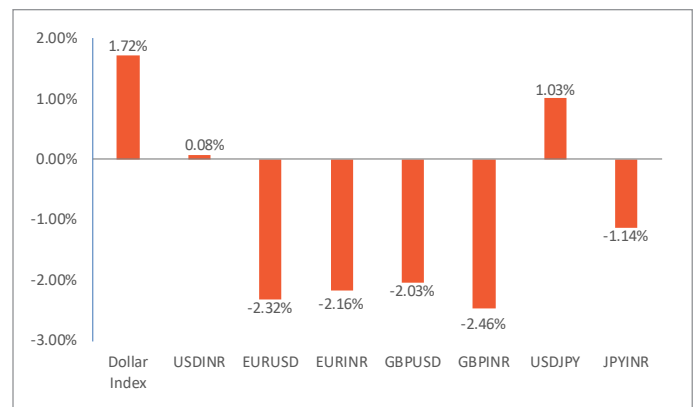
Source: Telequote

Forex

CURRENCY	29-04-2022	22-04-2022	% CHANGE
DOLLAR INDEX	102.96	101.22	1.72%
USDINR	76.47	76.40	0.08%
EURUSD	1.05	1.08	-2.32%
EURINR	80.87	82.65	-2.16%
GBPUSD	1.26	1.28	-2.03%
GBPINR	96.22	98.65	-2.46%
USDJPY	129.86	128.54	1.03%
JPYINR	58.86	59.54	-1.14%

Source: Telequote, Trade Tiger

Currency Performance for the week



Currency Performance and Outlook for the Week

USDINR:

The Indian rupee depreciated by 0.08% last week on risk aversion in domestic markets and a strong US Dollar. Sustained FII outflows also put pressure on Rupee. FIIs withdrew about Rs. 11,446 crore from the markets last week. Positive crude oil prices weighed on Rupee. Crude oil prices gained about 2.57% last week on the NYMEX. However, easing in Dollar from a 2-decade high towards the end of the Rupee cushioned the downside.

The US Dollar gained by 1.72% last week on a surge in US treasury yields and hawkish US Federal Reserve risk aversion in global markets. Upbeat economic data from the US also supported the Dollar. US Core PCE price index increased by 0.3% in March as compared to 0.3% in February. US weekly unemployment declined to 180,000 for the week ended April 23 as compared to 185,000 in the previous week. US core durable goods orders increased by 1.1% in March as compared to -0.5% in February. US durable goods orders increased by 0.8% in March as compared to -2.1% in February. However, Dollar eased from a two-decade high on profit booking at higher levels. US Chicago PMI declined to 58.5 in April as compared to 62.9 in March. US economy contracted by 1.4% q-o-q in Q1 CY2022 as compared to expansion by 6.9% in Q4 CY2021. US trade deficit jumps to \$125.3 billion in March as compared to \$106.30 billion in February. US pending home sales declined by 1.2% in March as compared to -4% in February. US consumer confidence declined to 107.30 in April as compared to 107.60 in March. US new home sales declined to 763,000 in March as compared to 835,000 in February.

Outlook: Indian Rupee is expected to trade with a positive bias on expectations of IPO related foreign inflows and decline in crude oil prices. However, sharp gains may be capped on risk aversion in global markets. Strong Dollar may also put pressure on Rupee at higher levels. Market participants may also remain cautious ahead of US FOMC meeting later this week. The US Federal Reserve is expected to hike rates by 50 bps, which will be supportive for Dollar and negative for Rupee. However, any hike lesser than 50 bps may have a reverse effect. Markets may also take cues from India's PMI and trade deficit data. Traders may also take cues from US ISM manufacturing PMI and jobs data which is expected to add jobs but at a slower pace. USDINR Spot is expected to trade at 75.50-77.50 for this week.

EURUSD:

Euro depreciated by 2.32% in the previous week on strong Dollar and weak European markets. Escalating tensions in Eastern Europe also mounted downside pressure on Euro. German GfK consumer climate declined to -26.5 for May as compared to -15.7 in April weighing on the shared currency. However, upbeat economic data cushioned sharp downside. German economy expanded by 0.2% in Q1 CY2022 as compared to contraction by 0.3% in Q4 CY2021. German IFO business climate improved to 91.80 in April as compared to 90.80 in March. Euro Area economy expanded by 0.2% in Q1 CY2022 as compared to 0.3% in Q4 CY2021. Surge in inflation also raised expectations that ECB may hike rates in the monetary policy. German consumer inflation rose 7.4% y-o-y in April as compared to 7.3% in March. Euro Area inflation rose 7.5% y-o-y in April as compared to 7.4% in March. Euro Area core inflation rose

3.5% y-o-y in April 2022 as compared to 2.9% in March 2022. Euro touched a 5-year low of 1.0488 and closed at 1.0549 against US Dollar.

Outlook: The Euro is expected to trade with a negative bias on risk aversion in global markets strong Dollar. The US Dollar is expected to strengthen further against the Euro on monetary policy divergence. Geopolitical tensions due to the ongoing conflict between Russia and Ukraine may also put downside pressure on Euro. Traders may also remain vigilant ahead of German retail sales and trade balance which is expected higher while euro Area retail sales, German factory orders and industrial production are expected lower than previous reading. Traders may also take cues from any diplomatic solution to the Russia-Ukraine war. EURINR Spot is expected to trade at 79.50-83 for this week.

GBPUSD:

The Pound depreciated by 2.03% in the previous week on strong Dollar and risk aversion in global markets. Geopolitical tensions on the back of escalating conflict in Eastern Europe and concerns over economic recovery may also put downside pressure on Pound. Pound touched a low of 1.245, the lowest since September 2020 and closed at 1.2575 against US Dollar.

Outlook: The Pound is expected to trade with negative bias on concerns over strong Dollar and concerns over economic recovery. Risk aversion in global markets may also mount downside pressure on Pound. Market participants may also take cues from Bank of England's MPC later this week. There are expectations of rate hike by 25 bps to 1%. However, there are renewed concerns over rate hike due to rising uncertainty over economic recovery. GBPINR Spot is expected to trade at 94.50-98 for this week.

USDJPY:

Japanese Yen depreciated by 1.03% in the previous week to a two-decade low on dovish Bank of Japan and strong Dollar. Bank of Japan kept its monetary policy unchanged and left interest rates unchanged at -0.1%. BOJ has pledged to buy unlimited amounts of bonds daily as needed to defend its yields target. Surge in US treasury yields also put pressure on the Yen. US 10-year treasury yields touched a high of 2.9433% before settling 1.14% higher week-on-week at 2.9375%. However, Yen recovered from lower levels towards the end of the week on safe-haven demand due to weak global equity markets and correction in Dollar. Upbeat economic data from Japan also supported Yen at lower levels. Japan's industrial production increased by 0.3% m-o-m in March as compared to 2% in February. Japan's unemployment rate declined to 2.6% in March as compared to 2.7% in February. The Dollar touched a high of 131.25 and closed at 129.86 against Yen.

Outlook: The Yen is expected to trade with a negative bias this week on strong Dollar and divergence in monetary policy between Bank of Japan and the US Federal Reserve. Surging US treasury yields may also put downside pressure on Yen. 10-year yields are nearing the 3% mark. Any intervention by Bank of Japan to contain the rising yields may also weigh on Yen. However, risk aversion in global markets and declining crude oil prices may cushion the downside. JPYINR Spot is expected to trade at 57-61 for this week.

Major macro-economic data this week

Date	Region	Event	Survey	Prior	Impact
02-May	India	S&P Global Manufacturing PMI	53.80	54.00	Medium
02-May	Germany	German Retail Sales m/m	0.20%	0.30%	Medium
02-May	India	Balance of Trade		\$18.51B	High
02-May	US	ISM Manufacturing PMI	57.5	57.1	High
02-May	US	Construction Spending m/m	0.80%	0.50%	Medium
03-May	Eurozone	Unemployment Rate	6.80%	6.80%	Medium
03-May	US	JOLTS Job Openings	11.19M	11.27M	High
03-May	US	Factory Orders m/m	1.30%	-0.50%	Medium
04-May	Germany	German Trade Balance	12.3B	11.5B	Medium
04-May	Eurozone	Retail Sales m/m	-0.20%	0.30%	Medium
04-May	US	ADP Non-Farm Employment Change	400K	455K	High
04-May	US	Trade Balance	-106.6B	-89.2B	Medium
04-May	US	ISM Services PMI	58.5	58.3	Medium
04-May	US	Crude Oil Inventories	-	0.7M	Medium
04-May	US	Federal Funds Rate	<1.00%	<0.50%	High
05-May	US	FOMC Press Conference	-	-	High
05-May	China	Caixin Services PMI	40.9	42	Medium
05-May	India	S&P Global Composite PMI	-	54.3	High
05-May	India	S&P Global Services PMI	54	53.6	High
05-May	Germany	German Factory Orders m/m	-1.00%	-2.20%	Medium
05-May	All	OPEC-JMMC Meetings	-	-	Medium
05-May	UK	Official Bank Rate	1.00%	0.75%	High
05-May	US	Challenger Job Cuts y/y	-	-30.10%	Medium
05-May	US	Unemployment Claims	180K	180K	Medium
05-May	US	Natural Gas Storage	-	40B	Medium
06-May	Germany	German Industrial Production m/m	-1.30%	0.20%	Medium
06-May	UK	Construction PMI	58	59.1	Medium
06-May	Germany	German Buba President Nagel Speaks	-	-	Medium
06-May	US	Average Hourly Earnings m/m	0.40%	0.40%	High
06-May	US	Non-Farm Employment Change	390K	431K	High
06-May	US	Unemployment Rate	3.50%	3.60%	High

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