



# Currency Weekly

Monday, May 15, 2017

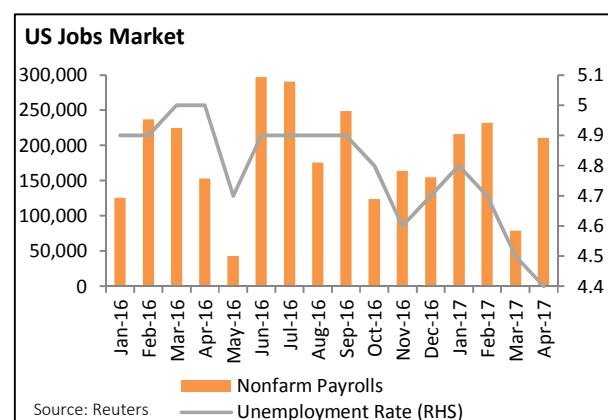
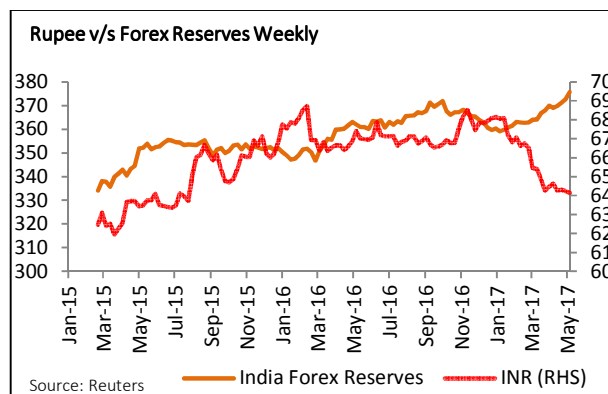
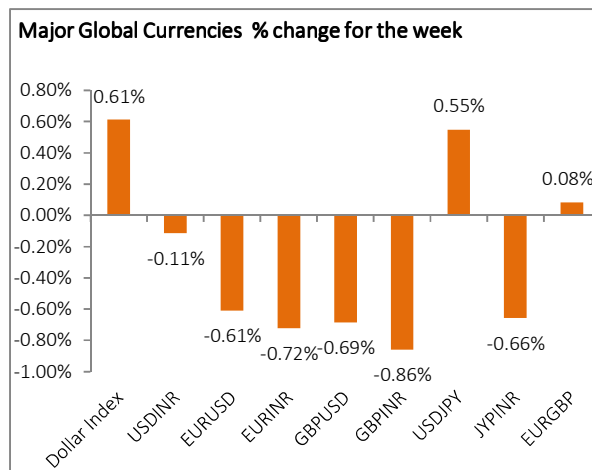
The rupee erased all of its losses for the week after domestic equities rose to fresh record high levels despite FII flows dried up in the first two weeks of May. Net inflows in equity segment until now in May have been to the tune of a meagre \$43.45million but foreign investors continued to get attracted towards debt as inflows were much higher compared to equity segment. Inflows in the debt segment have been to the tune of \$782.15 million.

India CPI for April rose at a slower pace compared to the previous month following slower price rise in food prices. CPI for April rose at a 2.99% in April compared to rise of 3.89% in the previous month; inflation is almost a percentage point below RBI's inflation target of 4%.

On the other hand industrial production number with the new base year of 2011-12 has risen 2.7% in March compared to contraction of 1.2% in the previous month. Switch in the new series is primarily done to align the data with new series.

In line with expectation the Bank of England held rates unchanged but in its quarterly inflation forecast report raised its inflation target for this year to 2.8% compared from 2.4% estimates earlier this year. On the other hand trimmed its growth forecast to 1.9% compared from 2% earlier estimates.

Inflation in the US rose in April signaling consumer prices is stabilizing, thereby supporting the case of Federal Reserve to raise rates at its June meeting. Data released by census bureau showed retail sales in the US rose 0.4% in April compared to growth of 0.1% in the previous month. The dollar against its major crosses came under pressure despite an upbeat economic number from the US.



**USDINR:**

Rupee gained in latter half of the session following sharp up move in domestic equities, FII inflows in the equity segment have dried up in the last couple of weeks keeping a cap on any major up move for the currency. Debt segment continues to attract flows following lucrative yield offered by India compared to other emerging economies. Last week, India's inflation rose 2.99% compared to 3.89% in the previous month primarily on back of drop in food prices. On the other hand WPI fell sharply 3.85% in April compared to drop of 5.3% in the previous month. The rupee could also be supported by better-than-expected rise in industrial production number that showed growth in March compared to the previous month.

**Technically:**

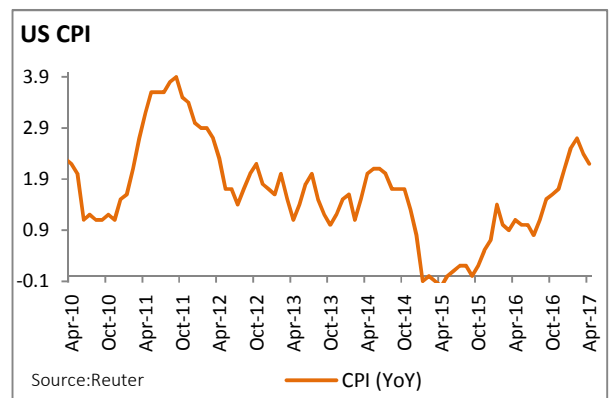
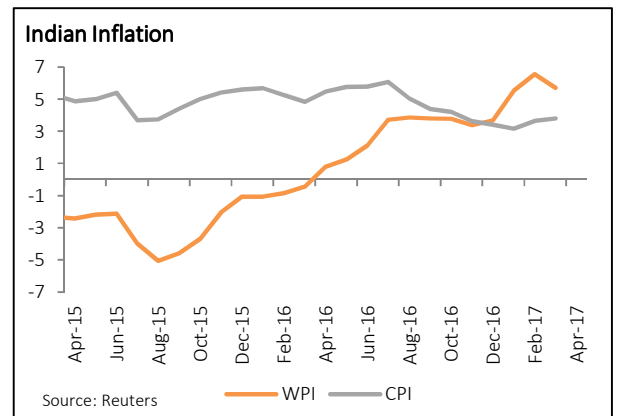
USDINR is trading close to its critical support at 64.20 whereas strong resistance is pegged at 64.75. Price sustained trade below supports for couple of session will confirm weakness and could target 63.80 – 63.60 levels. The RIS is flat around oversold zone on weekly charts and any further weakness on the same will also confirm short-term weakness for the pair. Selling on sustained break below support will be advised for the pair.

**EURINR:**

The dollar rebounded against its major crosses, last week, and Euro was weighed down by strength in the greenback and after ECB President Mario Draghi hinted that it was too early to think about an exit from ECB's bond buying program. ECB economic bulleting report released last week showed Euro zone employment is higher than government data suggest but continued to keep wage growth muted. The ECB estimates that about 3.5% of the working age population is considered statistically as inactive, even though they could rejoin the workforce quickly. In the coming week, Q1 preliminary GDP number for whole of Euro zone will be released apart from the inflation (CPI) will also be released. Better-than-expected number could support the Euro on lower levels against the US dollar.

**Technically:**

EURINR failed to break above its critical resistance of 70.95 and pared all its gains closing lower at 70.15 in the preceding week. Strong short-term support is placed at 69.85. Recent downside could continue in the upcoming trading sessions with short-term targets at 69.85. Price sustained break below the support will continue the weakness and could test 69.50 – 69.30 area. Overall, selling on rise is advised.



**GBPINR:**

The Bank of England, in line with expectation, held rates unchanged and hinted that it is not looking to raise rates in the next couple of years. The central bank raised its inflation forecast to 2.8% compared from 2.4% estimated earlier primarily on back of weaker pound. On the other hand trimmed its growth forecast for this year to 1.9% from 2%. The central bank governor added that he was upbeat about wage growth beyond 2017 only if the government secures a smooth exit from the EU. In this week, inflation (CPI) and unemployment numbers will be released; upbeat inflation and drop in unemployment rate will support pound on lower levels.

**Technically:**

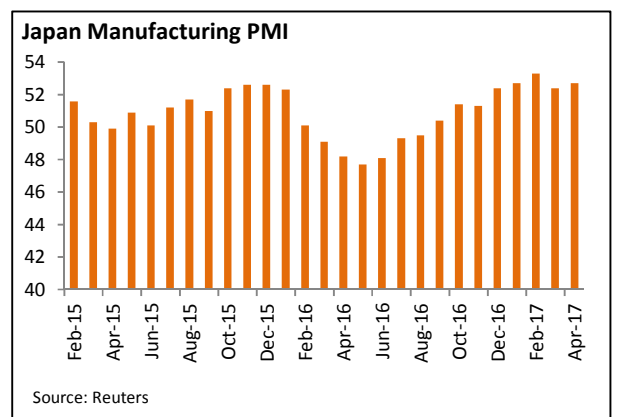
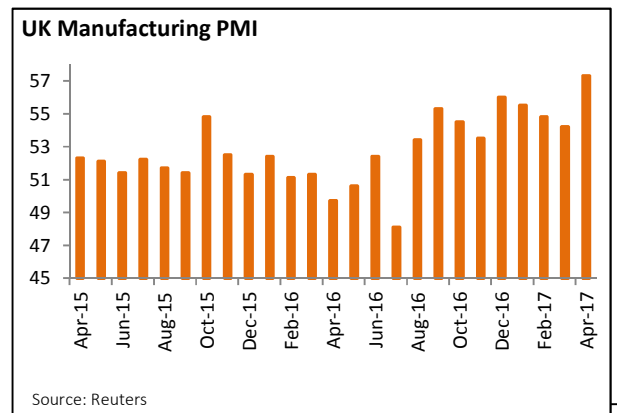
The pair has been trading in a downward sloping channel forming lower highs and lower lows formation. Recently the pair has reversed from its falling trend line resistance and has closed the week with a negative note at 82.90. The current weakness is likely to continue with short-term targets at 82.15 - 81.95 area. Critical resistance is pegged at 83.70 - 84.00 levels. Selling on rise is advised in short-term. Upside will resume only if price break and sustains above the resistance for consistent couple of sessions.

**JPYINR:**

For the fourth successive week Japanese Yen came under pressure against the US dollar after consumer confidence for April came in lower compared to the previous month. The index fell to 43.2 in April compared to the 43.9 in the previous month. In the coming week market participants will be keeping an eye on the industrial production and preliminary GDP number. Expectation is that industrial production could continue to see contraction in March compared to the previous month but Q1 preliminary GDP could show marginal growth compared to the previous quarter that could extend support for the Japanese Yen against the US dollar.

**Technically:**

JPYINR continued its weakness for the fourth straight week and has closed below the critical supports of 57 - 57.15 area. Both the momentum oscillators are also indicating further downside for the pair in short-term. Previous supports will act as key resistance levels. Selling is recommended targeting 56.25 - 55.80 levels. Upside for the pair will resume only if price breaks above the 57.15.



## Weekly Economic Calendar

Time	Cur.	Imp.	Event	Forecast	Previous
<b>Tuesday, May 16, 2017</b>					
14:00	GBP	High	CPI (YoY) (Apr)	2.6%	2.3%
14:30	EUR	High	Flash GDP (QoQ)	0.5%	0.5%
14:30	EUR	Mild	German Economic Sentiment	22.3	19.5
18:00	USD	Mild	Building Permits	1.27M	1.27M
18:00	GBP	High	Housing Starts	1.26M	1.22M
<b>Wednesday, May 17, 2017</b>					
14:00	GBP	Mild	UK unemployment	4.7%	4.7%
14:30	GBP	High	Final CPI	1.9%	1.9%
<b>Thursday, May 18, 2017</b>					
5:20	JPY	Mild	Japan preliminary GDP(QoQ)	0.40%	0.30%
18:00	USD	Mild	Unemployment claims	240K	236K
18:00	USD	High	Philly Fed mfg Index	19.9	22.0
<b>Friday, May 19, 2017</b>					
19:30	EUR	Mild	Consumer Confidence	-3	-4

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