

KEY HEADLINES:

- After years of threatening a devaluation, in the face of China’s own currency manipulation, President Trump recently indicated that he is now in favour of a strong dollar. Given the President’s inconsistency on the issue, and the current turbulent economic environment, what exactly would a second term entail for the most important currency in the world? How a second Trump term could impact USD The crucial distinction here is one of means versus ends. In the mind of President Trump, the currency is just a tool to deliver a buoyant stock market and booming economy, whatever he might tweet.
- In the next few months, the Federal Reserve will be solidifying a policy outline that would commit it to low rates for years as it pursues an agenda of higher inflation and a return to the full employment picture that vanished as the coronavirus pandemic hit. Recent statements from Fed officials and analysis from market veterans and economists point to a move to “average inflation” targeting in which inflation above the central bank’s usual 2% target would be tolerated and even desired.
- The explosive rally in EUR/USD last month begs the question whether it was driven by a re-assessment of European growth prospects in light of progress on the EU recovery fund. The reason we mention this is that during the last major period of EUR/USD strength, in 2017, there was a positive re-assessment of Eurozone growth after the bloc survived the euro-sceptic challenge of both Dutch and French elections. That period of renewed Eurozone optimism sparked good international demand for Eurozone equities. At the time we were monitoring that investment switch using ETF fund flow data.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Final Services PMI	EUR	55.1	55.1	MEDIUM
Final Services PMI	GBP	56.6	56.6	MEDIUM
Final Services PMI	USD	49.6	49.6	MEDIUM
ISM Non-Manufacturing PMI	USD	55.0	57.1	HIGH
ADP Non-Farm Employment Change	USD	1200K	2369K	HIGH
Crude Oil Inventories	USD	-3.4M	-10.6M	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	75.27	75.10	74.75	75.40	75.70	BEARISH
EURINR FUTURE	88.54	88.25	87.75	88.75	89.25	Sideways
GBPINR FUTURE	98.03	97.70	97.10	98.30	99.00	Sideways
JPYINR FUTURE	70.93	70.75	70.30	71.10	71.50	BEARISH

RESEARCH BONANZA

FOREIGN CURRENCY SEGMENT

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