

KEY HEADLINES:

- The dollar turned upward against major currencies for the first time this week as U.S. yields held steady, Japan's economic outlook worsened and the Reserve Bank of New Zealand surprised markets by hinting at a higher interest rates.
- The dollar index rose as much as 0.4% and crossed above 90 on Wednesday afternoon in New York, but still remained near January lows as the market tapped the brakes on its steady slide since March.
- Benchmark yields on 10-year U.S. Treasuries stayed within their range from the day before and were edging up higher at 1.58% after an auction of 5-year notes.
- Most important is Friday's release of an inflation measure watched closely by the U.S. Federal Reserve. If it is stronger than expected, yields could rise and power the dollar higher. If weaker, the Fed's low interest rate outlook could continue and the dollar's downtrend could resume.
- Since March the dollar index has lost more than 3% as many other economies have begun to catch up with the pace of U.S. coronavirus vaccinations and as their interest rates have shown more promise of rising.
- After the New Zealand central bank hinted at a possible interest rate hike by September of next year, the kiwi rose more than 1% against the U.S. dollar. The RBNZ is the second major central bank after the Bank of Canada to nod toward pulling back on easy money policies.
- The dollar's rise came at the expense of the euro and the Canadian dollar. The euro lost 0.5% to the dollar as euro zone yields fell on new dovish signals from the European Central Bank. At \$1.2187 the euro was still up 4% since March, however.
- China's onshore and offshore yuan strengthened to three-year highs versus the dollar. The onshore currency broke through 6.40 - a key psychological level - to trade at 6.39.
- Cryptocurrencies bitcoin and ether were up a fraction of 1% and steady after a volatile weekend.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Prelim GDP q/q	USD	6.5%	6.4%	HIGH
Pending Home Sales m/m	USD	0.6%	1.9%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	73.17	73	72.60	73.45	73.75	BEARISH
EURINR FUTURE	89.65	89.20	88.90	89.75	90	BEARISH
GBPINR FUTURE	103.57	103.45	103.15	104.25	104.65	BEARISH
JPYINR FUTURE	67.19	67	66.70	67.50	67.75	BEARISH

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Disclosure:

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