



STAT EDGE

Forex Weekly Research Report

19 April 2025

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Market Summary & Outlook:

- Contrary to the typical scenario where tariffs strengthen the dollar by curbing demand for foreign products, the currency not only failed to gain but declined. This puzzling development has surprised economists and negatively impacted consumers. Since mid-January, this unusual trend has resulted in a substantial and rapid 9% drop in the dollar's value against a basket of currencies, bringing it to its lowest point in three years.
- Over the past week, the British pound emerged as the top performer among major currencies, rising by 1.43%. Meanwhile, the dollar index experienced a 0.72% decline, closing at 99.39.
- The dollar's recent, unusually steep decline transcends typical currency fluctuations, which are often attributed to inflation and central bank decisions. It points to a more concerning phenomenon: a decline in global confidence in the US, potentially triggered by President Trump's efforts to reshape trade. This loss of confidence could undermine the dollar's established role in cross-border trade and as a haven, compromising the US's economic and geopolitical leverage.
- Across the pond, the Federal Reserve (Fed) Chair Jerome Powell turned hawkish, saying that a weak economy and high inflation could conflict with the Fed's goals and make a stagflationary scenario possible. His comments reduced the likelihood of a Fed rate reduction in June, which lifts the US Dollar against the major currencies.
- The CME FedWatch tool indicates that money market traders are currently anticipating approximately 86.8 basis points of Federal Reserve rate cuts by the close of 2025, with the initial cut expected in July.
- President Trump and his team "will continue to study that matter," National Economic Council Director Kevin Hassett says when asked if firing Fed Chair Jay Powell is an option now.
- Euro treaded in water against the dollar after rate cuts. ECB policymaker Madis Muller stated on Friday that the central bank's 25 basis point rate cut at the April meeting was justified by falling energy prices and tariffs. He further noted that policy rates are no longer hindering Eurozone economic activity and that key ECB indicators are trending positively. Muller also cautioned that increased global economic fragmentation could lead to higher prices.
- Week Ahead: As a focal point in a relatively light week for global economic data and central bank announcements, the Fed's Beige Book is expected to point to a modest expansion in economic activity, even as tariff concerns escalate. Turning to China, we anticipate that banks will cut loan prime rates to counteract the negative effects of the trade war. Elsewhere, a projected surge in Tokyo CPI is likely to place the Bank of Japan in a difficult position, weighing the need for rate hikes to normalise policy against the option of easing to mitigate trade war risks. The market expects China's banks to cut their loan prime rates by 10 basis points on April 21, after five months of steady fixings. The one-year LPR (reference for corporate loans) may drop to 3% and the five-year LPR (benchmark for mortgage loans) to 3.5%.

| Currency Performance | | | |
|----------------------|-----------|-----------|----------|
| Currency | 18-Apr-25 | 11-Apr-25 | % Change |
| Dollar Index Spot | 99.23 | 100.10 | -0.87% |
| Euro Spot | 1.1393 | 1.1355 | 0.33% |
| British Pound Spot | 1.3296 | 1.3087 | 1.60% |
| Japanese Yen Spot | 142.18 | 143.54 | -0.95% |
| Chinese Yuan Spot | 7.306 | 7.288 | 0.26% |
| USDINR | 85.38 | 86.05 | -0.78% |
| EURINR | 97.11 | 97.97 | -0.89% |
| GBPINR | 113.33 | 112.92 | 0.36% |

Currency Performance and Level to Watch:

| Currency | Weekly High | Weekly Low | Weekly Close | Weekly % Chg. | MTD % Chg. | QTD % Chg. | YTD % Chg. |
|--------------|-------------|------------|--------------|---------------|------------|------------|------------|
| Dollar Index | 100.28 | 99.17 | 99.39 | -0.72% | -0.70% | -4.63% | -9.10% |
| EURUSD Spot | 1.1425 | 1.1264 | 1.138 | 0.22% | 0.13% | 5.21% | 4.64% |
| EURINR Spot | 97.60 | 96.99 | 97.11 | -0.89% | 1.14% | -5.17% | 7.91% |
| Currency | Pivot | Supt.3 | Supt.2 | Supt.1 | Resi.1 | Resi.2 | Resi.3 |
| Dollar Index | 99.61 | 97.41 | 98.51 | 98.95 | 100.05 | 100.71 | 101.82 |
| EURUSD | 1.1356 | 1.1034 | 1.1195 | 1.1288 | 1.1449 | 1.1517 | 1.1678 |
| EURINR | 97.23 | 96.00 | 96.62 | 96.86 | 97.48 | 97.85 | 98.46 |

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Technical Analysis:

Dollar Index View:

- The dollar index is hovering near 99 levels.
- It has been trading in a bearish sequence of lower highs and lows on the major time frames.
- The relative strength index is placed in the oversold zone, indicating further weakness.
- It has support at 97 and resistance at 103.20.

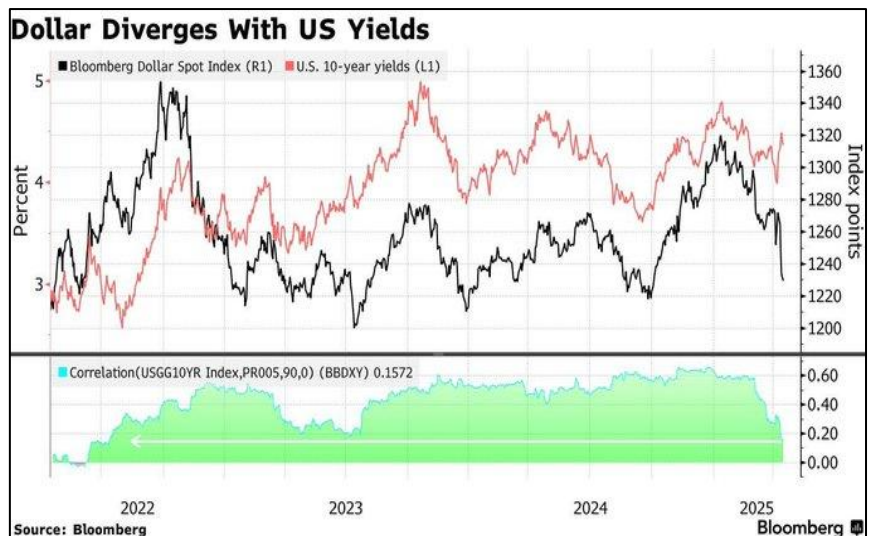
Spot EURINR: Bullish, Buy on dips
Support 95, Resistance 98.50



Asset Managers hold their bearish bets



DX- US 10-Year Yields 90 Days correlation is Declining



Source: Bloomberg

Bloomberg

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| Economic Calendar | | | | | |
|-------------------|---------|---|--------|--------|----------|
| Date | Country | Event | Period | Survey | Prior |
| 21-Apr | China | 1-Year Loan Prime Rate | 21-Apr | 3.10% | 3.10% |
| | China | 5-Year Loan Prime Rate | 21-Apr | 3.60% | 3.60% |
| 22-Apr | US | Philadelphia Fed Non-Manufacturing Activity | Apr | -- | -32.5 |
| | EC | Consumer Confidence | Apr P | -15.1 | -14.5 |
| | US | Richmond Fed Manufact. Index | Apr | -6 | -4 |
| 23-Apr | Japan | Jibun Bank Japan PMI Mfg | Apr P | -- | 48.4 |
| | Japan | Jibun Bank Japan PMI Services | Apr P | -- | 50 |
| | India | HSBC India PMI Mfg | Apr P | -- | 58.1 |
| | India | HSBC India PMI Services | Apr P | -- | 58.5 |
| | EC | HCOB Eurozone Manufacturing PMI | Apr P | 47.5 | 48.6 |
| | EC | HCOB Eurozone Services PMI | Apr P | 50.5 | 51 |
| | UK | S&P Global UK Manufacturing PMI | Apr P | 44 | 44.9 |
| | UK | S&P Global UK Services PMI | Apr P | 51.5 | 52.5 |
| | EC | Trade Balance SA | Feb | 15.0b | 14.0b |
| | US | MBA Mortgage Applications | 18-Apr | -- | -8.50% |
| | US | S&P Global US Manufacturing PMI | Apr P | 49.3 | 50.2 |
| | US | S&P Global US Services PMI | Apr P | 53 | 54.4 |
| | US | New Home Sales | Mar | 681k | 676k |
| | US | Fed Releases Beige Book | | | |
| | US | Building Permits | Mar F | -- | 1482k |
| 24-Apr | Japan | Machine Tool Orders YoY | Mar F | -- | 11.40% |
| | US | Chicago Fed Nat Activity Index | Mar | -- | 0.18 |
| | US | Durable Goods Orders | Mar P | 1.50% | 1.00% |
| | US | Initial Jobless Claims | 19-Apr | -- | 215k |
| | US | Continuing Claims | 12-Apr | -- | 1885k |
| | US | Existing Home Sales | Mar | 4.14m | 4.26m |
| | US | Kansas City Fed Manf. Activity | Apr | -- | -2 |
| 25-Apr | US | U. of Mich. Sentiment | Apr F | 50.8 | 50.8 |
| | US | Kansas City Fed Services Activity | Apr | -- | 0 |
| | India | Foreign Exchange Reserves | 18-Apr | -- | \$677.8b |

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