



Forex Market **Insights** Newsletter

Volume 01

Mar 12th to Mar 18th 2022

Welcome

Dear Members,

40 year high US inflation will probably keep FOMC members thinking on how much to increase the feds funds rate the coming week. Though talks of 25bps are doing their rounds, but the Fed Chair is known to surprise financial markets time and again. The European Central Bank has already started talking hawkish compared to their last meeting and the Bank of England has raised rates twice and is due to meet the coming week. The LIC IPO is much awaited by Rupee bulls for they expect foreign monies to make a comeback to Indian equities.

The FM talked of it happening before the financial year end in her budget, but Russia's invasion on Ukraine may compel a delay. The uncertainty may cause discomfort for the Rupee, which is already near it's all time weak levels. So far, the Government has decided to resist hiking fuel prices, even though rates of \$120-140/barrel will increase the fiscal deficit. We can expect more volatility in the coming week as major central banks have their meetings.



Key Takeaway Summaries

₹ INR

India would release its inflation numbers in the early part of the week it'll help to evaluate the impact of high commodity/crude prices.

€ EUR

In a risk averse market scenario, funds are finding their way to safer-havens.

£ GBP

We can expect more volatility in the upcoming week amid Fed's rate hike.

¥ JPY

BOJ press conference is scheduled at the end of week along with BoJ interest rate decision

CONTENTS

INR 2

US\$ 3

EUR 4

GBP 5

JPY 6

BLOG 7

Regards

Mr Vijay Gauba
Additional Director General
Trade Promotion Council of India

Events to WATCH

Mar 14, 12:00
WPI Food (YoY)
(Feb)

Mar 14 12:00
WPI Inflation
(YoY) (Feb)

Mar 14, 17:30
CPI (YoY) (Feb)

Mar 14 12:00
WPI Fuel (YoY)
(Feb)

Mar 14, 12:00
WPI
Manufacturing
Inflation (YoY)
(Feb)

An extremely eventful week for the Indian Rupee. It commenced the week declining to its all-time low levels of 76.93 compared to the previous week's close of 76.16. Amidst large uncertainty about the Russia-Ukraine war, INR gyrated between 76.0650 and 76.97 – heavily influenced by the Central Bank's actions and wildly fluctuating crude prices. Short term is going to remain eventful with the LIC IPO looming large and markets eagerly awaiting a peaceful solution to the Russia-Ukraine conflict. India would release its inflation numbers in the early part of the week – it would be an important gauge to evaluate the impact of high commodity/crude prices and any possible red flags for the Central Bank.



Latest US inflation data continues to indicate persistently high inflation; as such market participants will be closely watching the Fed meeting scheduled on 15-16 Mar'22. They are on course to start the rate tightening cycle. In the upcoming week, there are crucial US economic data releases lined up: US PPI, Retail Sales, Crude Oil Inventories, Building Permits and Philadelphia Fed Manufacturing will be closely watched. This week's ECB meeting sprang a surprise on early unwinding of economic stimulus and a possible interest rate hike in 2022.

Events to WATCH

Mar 15. 18:00
PPI (MoM)
(Feb)

Mar 16. 18:00
Core Retail
Sales (MoM)
(Feb)

Mar 16. 18:00
Retail Sales
(MoM) (Feb)

Mar 16. 20:00
Crude Oil
Inventories)

Mar 16. 23:30
FOMC
Economic
Projections

Mar 16. 23:30
FOMC
Statement



Technically, US\$/INR looks overbought – momentum indicators have reached their overbought regions. A couple of price gaps formed this week, closed in this week itself. There are a few price gaps in the daily candlestick chart that aren't filled yet: 73.975 (13 Jan'22) to 74.04 (14 Jan'22) – purple horizontal lines; and 74.73 (23 Feb'22) to 75.0225 (24 Feb'22) – blue horizontal lines. In US\$/INR, price gaps usually fill up, indicating a possible move towards those levels. Observe the upward moving orange trendline, connecting dollar peaks of Apr'21 and Dec'21 – this resistance line comes around 76.70 – 76.80. Also notice the two horizontal red lines connecting all-time lows around 76.90 and the Dec'21 peak around 76.305. Price chart analysis suggests a possible cool off in the US\$/INR pair. There are multiple resistances around 76.70 - 76.90 and price gaps at lower levels. There is a sense for a stronger rupee in the immediate term. With rupee close to all-time low levels and forward premiums back to 4.25-4.5% range, dollar exporters are recommended to increase hedge ratios. Dollar importers can wait for the rupee to cool off and target lower levels. If dollar importers are mandated to hedge, choose vanilla options over forwards – it's better to have flexibility at such high US\$/INR levels than obligatory forward contracts.

Events to WATCH

Mar 15, 15:30
German ZEW
Economic
Sentiment
(Mar)

Mar 17 15:00
ECB President
Lagarde
Speaks

Mar 17, 15:30
CPI (YoY) (Feb)



In a risk averse market scenario, funds are finding their way to safer-haven (read US Dollar). Further higher inflation in the US when compared to European countries has made the single currency witness a fall all the way to 1.09. European Central Bank in its March meeting announced that it was winding down its asset purchase programme faster than anticipated, even though Russia's invasion on Ukraine posed risk on growth. After being dovish on interest rates for some time, ECB finally delivered a hawkish surprise, opening the door to higher interest rates at some point later in 2022. With inflation expected to be considerably higher in the short term, the high energy costs could further drag the demand.

The pair fell to 1.08 on economic uncertainty, way below its 50-day simple moving average of 1.1270. The momentum indicator RSI 14 has revived from the oversold zone and is seen consolidating at 40 mark.

The above assessment runs a risk if the ongoing tensions between Russia and Ukraine worsens. On persistently rising geo-political concerns (rising crude prices are an uncomfortable fall out), there could be flight to safety and the dollar might continue to gain (weakening other currencies including the euro).

On the daily technical chart, after the formation of a double top (blue ellipse) since the beginning of 2022, the currency pair, EUR/US\$ has fallen below the psychological level of 1.10. In an extended downtrend, the support becomes important. As of now, the green line connecting lows of 2017 and 2020 is giving the much needed support.

Events to WATCH

Mar 15, 12:30
Average Earnings Index + Bonus (Jan)

Mar 15, 12:30
Claimant Count Change (Feb)

Mar 17, 17:30
BoE Interest Rate Decision (Mar)

GBP/US\$ fell 1.4% this week, the whole week pair remained on back foot amid Ukraine tension, and the US\$ took advantage of the safe-haven demand. After US inflation data we saw a sudden spike in US treasury yields which also remained a worry for the pair. BOE is expected to deliver its 3rd rate increase in the upcoming week which could be a savior for sterling while the situation in Ukraine might compel more downside. We can expect more volatility as Fed rate hike by 25bps is expected mid-week. 40-year high inflation in US can propel FOMC members to increase it by 50bps. It's quite an important week for the pair as Claimant count change of Feb. is scheduled at the start of week along with Employment Change (MoM) and unemployment rate – It is expected to be Lower by 0.1% compared with the previous release of 4.1% while BoE interest rate decision of upto 0.75% is expected at the end of the week.



Sterling has completely lost its footing after breaking below the 1.31 handle. Test of 1.30 handle looks very likely now. The 1.30 level will garner close attention of traders as it is a key psychological & historical support. A break below that could send the GBP much lower. Any rallies currently will probably be sold into, as constant demand for US\$ continues. One can look for signs of exhaustion in these rallies to short them. The 1.33 level is a significant resistance, so break above that could open up the possibility of a move towards 1.35, but seems unlikely unless the Fed sounds dovish in their upcoming meeting. Any big risk-off news might quickly send this pair much lower, a break below 1.30 could be a major sell-off. Then 1.28 would be a level to focus on. So we should expect a very choppy price action going ahead.

¥ JPY

REPO RATE

-0.10%

GDP

1.10%

INFLATION

0.5%

UNEMPLOYMENT

2.8%

TRADE BALANCE

¥-2191B

Events to WATCH

Mar 18, 12:00
BoJ Press Conference

Mar 16, 05:20
Trade Balance (Feb)

Mar 16, 10:00
Industrial Production (MoM) (Jan)

Mar 18, 05:00
National Core CPI (YoY) (Feb)

Mar 18, 08:30
BoJ Monetary Policy Statement

US\$JPY ended the week 2.2% higher at 117.28. Pair made a high of 117.35 and went as low as 114.76 this week. The pair reached 5 year high at the end of week over Russian President Vladimir Putin's statement that there were "certain constructive developments" in talks with Ukraine undermined the yen safety trade, rise in US Treasury yields also led the pair. More upside is expected in the upcoming days as Fed is expected to hike interest rate by 25bps at the mid of week while Japan's will remain negative. It's a quiet week for the pair ahead BOJ press conference is scheduled at the end of week along with BoJ interest rate decision which is expected to remain same.



The US dollar has rallied much higher against the Japanese yen in the previous week ¥115 level and towards the ¥116.33 resistance region. This has been an important resistance region in the past and now that we've broken through it, this pair will continue to push much higher. It will much likely become a buy on dips kind of a market implying that it'll eventually go higher rather than an instant jump. This pair is very sensitive to the interest rate differential between two countries and the upcoming fed meeting is certainly weighing heavily on the pair. All things being equal, this is a market that I think is going to continue to find plenty of value hunters, especially if the interest rate differential continues to favor the dollar. A hawkish fed, it is likely that the market will continue to go much higher. However, if the Federal Reserve suddenly sounds a bit dovish, then we could fall towards the ¥115 level and much lower. The size of the previous candlestick is rather impressive, so it certainly means that a lot of people are interested in going long. I anticipate that this is a market that will continue to see a lot of volatility.



BLOG

SWIFT Technology- Ushering Digital Revolution For Trade Finance

Society for Worldwide Interbank Financial Telecommunication better known as SWIFT is a worldwide messaging platform for Banks and Corporate. The body has been working towards strengthening the financial community to exchange automated, standardized financial information securely and reliably. SWIFT India is a leading provider of secure financial messaging services for the global financial sector. Working with SWIFT systems allows financial institutions and banks reduce cost and risks while improving compliance. SWIFT India is committed to offering significant value to the Indian financial community through digitization of trade. Let's take a look at the various interesting updates and development initiatives taken forward by SWIFT India towards meeting the goals of digitization of trade to make processes more transparent, modern and agile. Latest Initiatives by Swift India Trade Receivables Discounting System or bill discounting exchange is a Blockchain Platform developed by MonetaGo. This new development was taken forward by SWIFT India in collaboration with MonetaGo.

The project ushers great hope for the industry as it addresses pressing need for fraud mitigation & avoids double financing. Using these systems, an individual can easily check the authenticity of away bill swiftly and with precision. Further, SWIFT India has also partnered with 34 international banks such as the Commerzbank, Societe Generale Bank, Deutsche Bank, and JP Morgan Chase Bank to create a Blockchain platform for the Nostro accounts. This kind of account is held by a domestic bank with a foreign bank to facilitate trade financing and other cross border transactions. By automating trade finance, banks can leverage credit functions.



Needless to say, India's aggregate trade value is sizeable and has the potential to grow even further if the mechanism becomes standardized. Banks with the adoption of Blockchain platform have started witnessing the following benefits: An improved system and an increase in the level of cross border transactions. Reduced costs and efficiency in the process of reconciliation between different accounts. Blockchain also known as Distributed Ledger Technology (DLT) allows monitoring of realtime liquidity flow, easy reconciliation, transaction status updates, full audit trails and visibility of expected and available balances

Exclusively for TPCI members: Complimentary

Myforexeye application access

*Till December 2022



Scan this QR
To Get the
Myforexeye APP

Currency	Bid	Ask
USDINR	73.3575	73.4575
⌚ 29 12:55:39 Event		
H- 73.3650	L- 73.2000	+0.0675 (0.09%)
EURUSD	1.1809	1.1810
⌚ 29 12:55:39 Event		
H- 1.1922	L- 1.1795	-0.0002 (-0.02%)
NZDUSD	0.7027	0.7028
⌚ 29 12:55:39 Event		
H- 0.7069	L- 0.7020	-0.0028 (-0.40%)
AEDINR	19.9700	19.9790
⌚ 29 12:55:39		
H- 0.7069	L- 19.8960	0.0300 (0.16%)
JPYINR	0.6649	0.6652
⌚ 29 12:55:39		
H- 0.6656	L- 0.6635	+0.0001 (0.03%)
CNYINR	11.2023	11.2031
⌚ 29 12:55:39		
H- 11.2045	L- 11.1607	0.0416 (0.37%)
USDCNY	70.3525	71.4275
⌚ 29 12:55:39		
H- 70.3636	L- 70.2636	+0.0675 (0.09%)

Bottom navigation bar: Home, My Plans, **MFE** (Services), Research, Rate Alert

Contact Details



Ritik Bali
8860447723
advisory@myforexeye.com



Notified in the Foreign Trade Policy by Department of Commerce, Government of India

Nikhaar Gogna
9818995401
editorial@tpci.in

DISCLAIMER: The information provided in this newsletter is for general informational purposes only. All information is provided in good faith, however we make no representation or warranty of any kind, express or implied, regarding the accuracy, adequacy, validity, reliability, availability or completeness of any information in this newsletter. Under no circumstance shall TPCI or Myforexeye have any liability for any loss or damage of any kind incurred as a result of the usage or reliance on any information provided on the in the newsletter. Your usage and reliance on any information on this newsletter is solely at your own risk.