



# Forex Market **Insights** Newsletter

Volume 02

Mar 20 to Mar 26 2022



## Key Takeaway Summaries

### ₹ INR

The rapid cooling of crude oil prices provided strength to the Indian Rupee.

### € EUR

The focus of attention of were Russia-Ukraine developments.

### £ GBP

It's quite an important week on the data side as BoE Gov Bailey speech is scheduled.

### ¥ JPY

An important week for the pair ahead of BOJ core CPI.

# Welcome

Dear Members,

Global central banks have given their verdict. They are wary of economies going into stagflation with US and UK hiking their cost of borrowings. The ongoing Russia-Ukraine war has kept the stance dovish for the short term due to high energy prices. Japan has retained the stimulus, though post April they seek to raise rates too. Equities around the world ended the week on a positive, though Indian investors are keeping an eye on the LIC IPO dates.

Retail inflation in India is still above the RBI's tolerance ceiling. Is RBI under pressure to also follow the rest as India sees about \$5bn outflow in first 2 weeks of March?

The RBI MPC meeting is due in Apr 6-8. With no significant events due the coming week, market participants will watch for COVID led lockdown situations in China as the other Western economies open for travel. Are we sufficiently geared for another variant?

Regards

Mr Vijay Gauba  
Additional Director General  
Trade Promotion Council of India

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## Events to WATCH

Mar 25, 17:00  
Bank Loan Growth

Mar 25, 17:00  
Deposit Growth

Mar 25, 17:00  
FX Reserves

The USDINR pair has seen major correction, ending the week at 75.79. The rapid cooling of crude oil prices provided strength to the Indian Rupee. As we approach the financial year-end, adverse movement in USDINR could impact the books of Indian companies. So RBI will keep an eye on the market to stabilize the USDINR pair. Financial markets continue to be nervous about the confrontation between Ukraine and Russia. The Rupee gained in the last week.



The upcoming week will be eventful for US. Some of the major highlights will be Crude Oil Inventories, Initial Jobless Claims, Markit Composite PMI (Mar), Services PMI (Mar) and Michigan Consumer Expectations (Mar). After surging to all-time highs of 76.97, USDINR has cooled off last week. Rupee's smart recovery from all-time lows to 75.76 happened in just 9 trading days. Let's evaluate the daily USDINR candlestick chart. After reaching overbought levels, momentum indicators have moderated.



# \$ USD

REPO RATE

0.5%

GDP

7.0%

INFLATION

7.9%

UNEMPLOYMENT

3.8%

TRADE BALANCE

\$-89.69B

## Events to WATCH

Mar 23, 19:30  
New Home Sales (Feb)

Mar 23, 20:00  
Crude Oil Inventories

Mar 24, 18:00  
Initial Jobless Claims

Mar 24, 19:15  
Markit Composite PMI (Mar)

Mar 24, 19:15  
Services PMI (Mar)

Mar 25, 19:30  
Michigan Consumer Expectations (Mar)



A new price down gap was formed last week, from 76.225 (16 Mar) to 75.985 (17 Mar) - yellow horizontal lines. Do recall that 2 price gaps formed earlier have not filled up as yet: 73.975 (13 Jan'22) to 74.04 (14 Jan'22) – green horizontal lines; and 74.73 (23 Feb'22) to 75.0225 (24 Feb'22) – blue horizontal lines. Price gaps in USD/INR have a tendency to fill up. An upward moving purple trendline connecting the dollar peaks of Apr'21 and Dec'21 comes around 76.75. Red horizontal line highlights the pair's all-time highs. Good technical indications to conclude a resistance region around 76.75–76.97. An upward moving orange trendline connecting dollar lows of May'21, Sep'21 and Jan'22 comes around 74.20, suggesting a critical support level. We are currently in a region wherein there are price gaps above as well as below – suggesting volatile times ahead. Exporters should target spot levels at 76.75–76.95 for US\$ selling while importers should anticipate levels around 75 to restart hedging.

## Events to WATCH

Mar 23, 14:00  
German Manufacturing PMI (Mar)

Mar 24, 14:00  
German Services PMI (Mar)

Mar 24, 14:30  
Manufacturing PMI (Mar)

Mar 24, 14:30  
Markit Composite PMI (Mar)

Mar 24, 14:30  
Services PMI (Mar)

Mar 25, 14:30  
German Ifo Business Climate Index

The EURUSD managed to recover some ground this week but ended it at close to 1.1020, below the 38.2% retracement of the 2022 slump at 1.1070. The center point for the attention of the financial Markets were all about Ukraine- Russia developments and the lack of progress in peace talks after 3 weeks. The European economic docket will feature Jan data of Trade Balance, which is likely to be muted by market participants. The negative shift stated in the risk sentiment. Furthermore, It is allowing the dollar to stay resilient over the rivals and capping EURUSD upside in the European session. The major events in the upcoming week are also German Manufacturing PMI (Mar), German Services PMI (Mar), Manufacturing PMI, Markit Composite PMI and Services PMI. Next week is going to be the important in terms of important data releases positive numbers will provide some strength to the euro.



EURUSD recovery seems corrective. The pair is developing below the Fibonacci located resistance on the level at 1.1070, having failed to sustain gains beyond it for a 2nd consecutive week. The daily chart indicates that the pair is retreating after slipping to surpass a firmly bearish 20 SMA As technical's indicating the first support level is at red horizontal support line at 1.0882 and the second support level in on the sky blue trend line at the level of 1.0805. The first resistance is at the purple horizontal line at 1.1149 with a recovery beyond this last could see the EURUSD recovering up to the 1.13594 price zone. RSI indicator bounced back from the bottom band but currently is below the middle band. Signal Line is above the MACD line due to this red candles are formed on the chart.



## Events to WATCH

Mar 23, 12:30  
CPI (YoY) (Feb)

Mar 24, 15:00  
Composite PMI

Mar 24, 15:00  
Manufacturing  
PMI

Mar 24, 15:00  
Services PMI

Mar 25, 12:30  
Core Retail  
Sales (YoY)  
(Feb)

Mar 25, 12:30  
Retail Sales  
(MoM) (Feb)

GBP/USD rose 1.1% this week, the whole week pair remained on the front foot amid market digested the rate moves by Fed and BOE during this week as these were expected to market participants and the major market optimism on hopes for diplomacy on the Ukraine crisis outweighed and dulled us dollar safe-haven appeal. Again Russia Ukraine updated will be closely watched amid the recovery appears shallow. It's a quite important week for the pair on the data side as BoE Gov Bailey speech is scheduled in the mid of week along with UK inflation which is expected to come higher by 0.4% than the previous release of 5.5% - A higher than expected reading should be taken as positive for the GBP, while a lower than expected reading should be taken as negative. Composite PMI and Manufacturing PMI is set to release at the end of week along with feb month Retail sales which is forecasted to come at 0.8%.



The GBPUSD pair ended the week 1.1% higher. Pair remained mostly in bullish trend last week and closed near psychological level of \$1.32. It's trading near its near term resistance i.e.1.3190-95; breaking these levels could open the doors till 1.335. Downside pair can reach 1.3105 levels as 50 days SMA lies there breaking of 1.3105 levels could push the pair towards psychological level of \$1.3. On 4 hourly chart MACD and RSI trading in a neutral zone.



# ¥ JPY

REPO RATE

-0.10%

GDP

1.1%

INFLATION

0.9%

UNEMPLOYMENT

2.8%

TRADE BALANCE

¥-668B

## Events to WATCH

Mar 23, 10:30  
BoJ Core CPI (YoY)

Mar 24, 06:00  
Services PMI

Mar 25, 05:00  
Tokyo Core CPI (YoY) (Mar)



The overbought level is not an immediate sell signal. The pair is in the long term upward trend since Jan 21 and the USDJPY first psychological resistance is at 119.50, if the pair break this level the next resistance is at 119.81. The high chances in the next week is that USDJPY may retrace for the corrective move and test the first support at the pink horizontal support line at 118.66 and the second support can be seen on the red horizontal line at the 117.21. It is very unlikely but if we see any major correction in the pair. So, it can touch the trend line close to the 115.77 zone.

USDJPY ended the week 1.7% higher at 119.17. Pair made a high of 119.39 and went as low as 117.29 this week amid there were reports Russia and Ukraine reaching towards a peace agreement which undermined the yen safety trade, rise in US Treasury yields also led the pair. More upside is expected in the upcoming days if Ukraine and Russia reaches to a peace agreement and vice versa. It's quite an important week for the pair as BOJ core CPI is set to release in the mid of week while Monetary policy meeting minutes is scheduled at the end of week along with Manufacturing & Services PMI. Moving Average Convergence Divergence opened its greatest positive divergence in at least 2 years as the ascent through the 4-year peak at 116.35 if the Ukraine war is settled and the Federal Reserve tightening policy looks to accelerate once. The MACD bias is quiet higher. The Relative Strength Index entered overbought zone and remained there. Because interest rate fundamentals play a major part in USDJPY strength.



**TPC** Trade Promotion Council of India

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



# BLOG

## What Is Letter Of Credit?

A LC or what is known as letter of credit is an efficient mechanism to make payment, mostly in cases of international trade. It is a document acting as a guarantee that the payment will be made by the buyer to the seller i.e. the exporter of goods and assets. It provides a surety of payment to the exporter as the document has the goodwill of bank associated with it and is routed through the bank. Since there are high chances of parties being strangers to one another and having little information about each other, Letter of credit is considered to be safe mode of payment. Being unknown to each other, might raise an anticipation in the mind of the seller of payment failure from the importer's end after the receipt of goods or assets.

A letter of credit is a safe document and is enforceable in the court of law wherein the bank guarantees to make payment on behalf of the importer or the buyer in case the buyer fails to make payment to the seller in the given time duration. This, thus, helps to remove the risk of non-payment faced by the exporter of goods.

Today, the letter of credit is used on a day to day basis in the international trade markets. A Letter of Credit is also known as banker's commercial credit or documentary credit. It is a fundamental and primary method of handling the risk or exposure faced by traders in the international or global markets. The exporter or the seller has a right of ensured payment on the presentation of certain necessary documents to the bank that are mentioned in the letter of credit and are necessary for trade. It is humanly easier for a person or trader to trust the bank in place of the buyer of goods, since bank is a huge financial institution with its creditworthiness attached. This makes international trade a faithful and free market for the traders.

## What is Bill Discounting?

Bill Discounting is a method of trading the bill of exchange to the financial institution before it gets matured, at a price that is smaller than its par value. The discount on the bill of exchange is based on the remaining time to maturity and the amount involved. It also depends upon the risk assumed and exporter's credibility..

Bills are discounted by charging a discount/fee which a bank takes from a seller to release funds before the credit period ends. At the due date, the seller's client pays the full amount to the Bank. It is mostly applicable in scenarios when a buyer buys goods from the seller and the payment is to be made through a letter of credit also known as LC discounting. Bill discounting is a major trade activity. It aids the sellers to get funds earlier for working capital finance in exchange for a small fee or discount. It also helps the bank earn some revenue. When the due date of the credit period comes, the borrower or (seller's client) customer pays the money to the bank. Discounting of bills of exchange is a win-win situation for both seller and buyer of goods as the buyer gets a credit period against the letter of credit and the seller gets his advance payment.





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### \*Till December 2022



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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%)

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