



Forex Market **Insights** Newsletter

Volume 06 → Apr 16th to Apr 22nd 2022

Key Takeaway Summaries

₹ INR

The hawkish comments by Fed members put pressure on the rupee

€ EUR

As President Lagarde keeps the monetary policy unchanged, the ECB plays the role of a bearish catalyst.

£ GBP

It's quite an important week for the pair as BOE Governor Bailey is scheduled to speak twice in this week.

¥ JPY

BOJ is not about to intervene in the currency markets

Welcome

Dear Stakeholders,

IMF has lowered the global growth forecast due to worsening supply bottlenecks (*read Chinese lockdowns*) and higher inflation caused by Ukraine crisis as Russian President Vladimir Putin warns of Western countries phasing out Russian gas imports. Single currency slid towards a two year low against the dollar after a dovish ECB policy, increasing the interest rate gap between US/UK and Eurozone.

In a short week for the Indian markets, the Rupee closed the week at a low after local inflation rose beyond central bank's tolerance level. LIC IPO talks are back in market with a hope to list in May. That should bring back the much-needed confidence in the markets. Dollar bulls are ready to see higher levels against the global currencies, but what could possibly tame the greenback? A 50bps hike in Fed Funds rate is 20 days away!

Happy Easter!

Regards

Mr Vijay Gauba
Additional Director General
Trade Promotion Council of India

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Events to WATCH

Apr 18, 12:00
WPI
Manufacturing
Inflation (YoY)
(Mar)

Apr 18, 12:00
WPI Inflation
(YoY) (Mar)

The USDINR ended the week at 76.1750. Foreign exchange reserves of India continued its plunged for the 5th straight week as the RBI appears to be selling US dollars from its coffers to prevent depreciation of the Indian rupee besides an increase in global crude prices. If an expansionary fiscal policy also causes higher interest rates, firms and households are discouraged from spending and borrowing as occurs with tight monetary policy thus reducing aggregate demand. The hawkish comments by Fed members put pressure on the pair.



India's inflation rate increased from 6.07% to 6.95%, which caught the focus of the Reserve Bank of India. Reserves plunged by US\$ 2.471 billion in the week to Apr 8 to US\$ 604.0 billion. In the last five weeks, reserves slipped by a massive \$28.5 billion. The data release for the Indian rupee in the next week are WPI Manufacturing Inflation (YoY) (Mar) and WPI Inflation (YoY) (Mar). The upcoming week's events are going to be important for the US with numbers on Building Permits (Mar), Existing Home Sales (Mar), Crude Oil Inventories, Philadelphia Fed Manufacturing Index (Apr) and Initial Jobless Claims.

\$ USD

REPO RATE

0.5%

GDP

6.9%

INFLATION

8.5%

UNEMPLOYMENT

3.6%

TRADE BALANCE

-\$89.18B

Events to WATCH

Apr 19, 18:00
Housing Starts (Mar)

Apr 19, 18:00
Building Permits (Mar)

Apr 20, 19:30
Existing Home Sales (Mar)

Apr 20, 20:00
Crude Oil Inventories

Apr 21, 18:00
Philadelphia Fed Manufacturing Index (Apr)

Apr 21, 18:00
Initial Jobless Claims



There are 3 important moving averages (MA) for USDINR: 89-day (pink line), and 144-day (blue line); Fibonacci numbers moving averages. 89-day MA and 144-day MA comes at 75.33 and 75.00 respectively, Such moving averages have indicated important support levels. There are 2 price gaps on the daily chart that are yet to be closed: from 74.73 (23 Feb'22) to 75.0225 (24 Feb'22) – green horizontal lines, and from 73.9750 (13 Jan'22) to 74.04 (14 Jan'22) – red horizontal lines. Price gaps in USDINR daily charts usually fills up. Momentum indicators are primarily neutral. My sense is for a range bound trading period – levels around 76.30 – 76.50 will be good resistance region while 74.80 – 75.10 will be an important support area. Make sense for exporters and importers to play the range. Since we are expecting a weaker rupee in 2022, exporters should moderately increase hedge ratios if spot reaches the resistance region. Use a mix of forwards and vanilla options. Conversely, importers should aggressively raise hedge ratios if rupee recovers and moves towards the support territory. Importers should use forwards as the preferred hedge instrument and can use vanilla options to diversify risk.

Events to WATCH

Apr 20, 11:30
German PPI (MoM) (Mar)

Apr 20, 14:30
Industrial Production (MoM) (Feb)

Apr 20, 14:30
Trade Balance (Feb)

Apr 21, 14:30
Core CPI (YoY) (Mar)

Apr 21, 14:30
CPI (YoY) (Mar)

Apr 22, 13:00
German Manufacturing PMI (Apr)

The EUR/USD ended this week 0.6% lower at 1.0806. The pair traded during the week with a range of high at 1.0950 and low at 1.0756. As President Lagarde remains the monetary policy unchanged, the ECB played a role of bearish catalyst. ECB left rates on hold, repeated asset purchase program will amount to €40 billion in April, €30 billion in May and €20 billion in June anticipated a shift toward a more hawkish stance. European economies are affected by Russian aggression led to increase in energy and commodity prices affecting demand and showing down the production, which results in higher inflation. Russian-Ukrainian war leaves trade disruptions turning out new shortages of materials which put prices under pressure. It's a quite important week for the pair as Industrial production of Feb month is scheduled along with Feb month trade balance in the mid of the week while yearly CPI is set to release on Thursday- A higher than forecasted reading should be taken as positive for the pair. ECB President Lagarde is also due to speak on Thursday.

The Euro has fallen below quite a bit during the past trading week to reach the 1.08 level. The 1.08 level has been a major support level, and therefore an unsuccessful test will lead the pair much lower below it, it would be a negative sign. However, there is a lot of noise between there and the 1.06 level, and it will take a lot of effort to make that move. That being said, it does seem as if we are going to make an attempt at the move lower. Any rallies now should cautiously watched, with the 1.10 level being an important marker. The 1.12 level would offer even more resistance, and if we can break above there, it could even be a trend change. We do not see that happening anytime soon, especially as the EU is going to continue to have to worry about energy. The weekly chart, indicates we are rapidly accelerating towards the downside, but are also very close to a major bottom. One can anticipate a lot of noisy price action, but we think it is probably easier to fade rallies in this market. The problem here is that you may not be able to do so on a weekly chart, you may have to look to the daily chart or even lower time frames.



Events to WATCH

Apr 22, 11:30
Retail Sales (YoY) (Mar)

Apr 22, 11:30
Core Retail Sales (YoY) (Mar)

Apr 22, 11:30
Retail Sales (MoM) (Mar)

Apr 22, 14:00
Services PMI

Apr 22, 14:00
Manufacturing PMI

GBP/USD rose 0.2% this week, Pair made a high of 1.3147 and went as low as 1.2971, on Tuesday annual CPI jumped to fresh 4 decade high of 8.5% in march initially reaction of event was not in line with expectation it led to a lose of interest in dollar but next day dollar index rebounded got back to 100+ levels despite the release of UK hot inflation data. Due to continuous rise in US treasury yields, we expect a downward trend in the pair. It's quite an important week for the pair as BOE Governor Bailey is scheduled to speak twice in this week- Bailey has more influence over pound's value than any other person. His statements may spark a short-term positive or negative trend. Monthly and yearly retail sales of UK are set to release at the end of the week along with Manufacturing PMI and Services PMI .



The British pound has been very choppy during course of the past trading week against the USD, as we continue to see increased volatility across the board. This might be preparing the market to try and make a bigger move. The 1.30 handle has been an important support region in the past, so it is certainly worth paying close attention to. The weekly chart suggests, if we fall below the lows of the last few weeks, we could drop to the 1.28 handle. There are a lot of historical lows between the 1.30 handle and the 1.28 level. That is a region that will continue to offer support and be difficult to break below. If we turnaround to rally, the 1.3250 level should be watched closely to start an argument about the upside. In the short term, it is very likely that we continue to trade in a roughly 200-pip range, and on short-term charts. It seems best to avoid long term bets for now, until we see a momentum build up, which would present better trading opportunities.

¥ JPY

REPO RATE

-0.10%

GDP

1.1%

INFLATION

0.9%

UNEMPLOYMENT

2.7%

TRADE BALANCE

¥-668B

Events to WATCH

Apr 19, 10:00

Industrial Production (MoM) (Feb)

Apr 20, 05:20

Trade Balance (Mar)

Apr 20, 05:20

Exports (YoY) (Mar)

Apr 22, 06:00

Services PMI



USDJPY remain strongly positive. The Moving Average Convergence Divergence (MACD) added slightly to its 5-year peak. The Relative Strength Index extended in the overbought territory to its longest period in a year. The pair strength depends exclusively on the Japan and US rate divergence. The nearest historical support levels are from May 2015 to Dec 2016, making them signposts than indicators of substantial interest. The resistance can be seen at the psychological level at 127 and the pair can test the first support level at 125.10 following the second support zone near 123.65. The Bank of Japan has noticed the depreciation of the Japanese yen saying it is watching the market but with CPI at 0.9% annually in Feb and core at -1%, it is not about to intervene in the markets.

USDJPY ended the week 1.6% higher at 126.35. Pair made a high of 126.68 and went as low as 123.39 this week continuous rise in US Treasury yields supported dollar to gain versus the yen. Pair went lower post the release of US inflation data but giving statement as it led to a slight pullback in the yields but couldn't sustain for more time and pair reached 20 year high levels of 126.59. BOJ has noted rapid weakness in yen in its statement - with national CPI at 0.9% annually in February and core at -1%, It's a quite important week for the pair as Industrial production of Feb month is scheduled along with March month trade balance in the start of the week while Services PMI and Manufacturing PMI is set to release at the end of the week.





BLOG

What Is Copy Trading

The main idea here in copy trading is to basically use some kind of technology to replicate the tactics and strategies of real-time forex traders that you aspire to follow or look up to.

All you need to do is replicate the exact trade during the time the real-time investors also trade, giving you the same results as them. Even though it is not for everyone, it is an effective plan of action to make money on the side by just following an expert's footsteps.

The main priority is to spend time and wisely make a decision on which traders' investment tactics and style align with your end goals. This is important as the nature of investment or trading you are into requires experts from that category.

There are two ways of participating in copy trading. The first one is doing it on your own and the second is through the medium of a copy trading platform. Similar to social media platforms, all you need to do is choose the investor you want to follow.

The selection of the trading activity you want to replicate and the kind of investments you want to make are all automatic, based on your decision.

There are certain aspects to keep in mind to finalize an investor to replicate - years of experience in trading, track record, type of investments they prefer, and approximate holding time per investment.

One major advantage leading up to its increasing popularity is that it allows new traders in the market to also earn big, without much hassle and experience.

To understand how copy trading works, all you need to know is that you are required to invest some part of your portfolio into another trader's investments, to copy or replicate them exactly in your trading activities.

Benefits of Copy Trading

There are multiple benefits of participating in copy trading that makes it an exciting opportunity. However, the benefits are more appealing for beginners.

Limited Losses

One of the biggest advantages for beginners is that the predicted potential losses are limited. This is because you mimic the strategies and tactics of a professional trader who has been in the business for a long time and thus the predicted losses are lower as their performance speaks for itself. It is a balanced approach, to begin with as it allows you to divide your money more effectively for investment.

Passive Tactic

As opposed to an active approach for trading and investment, with copy trading you adopt a more laid back or passive approach to target investments that has a higher chance of success.



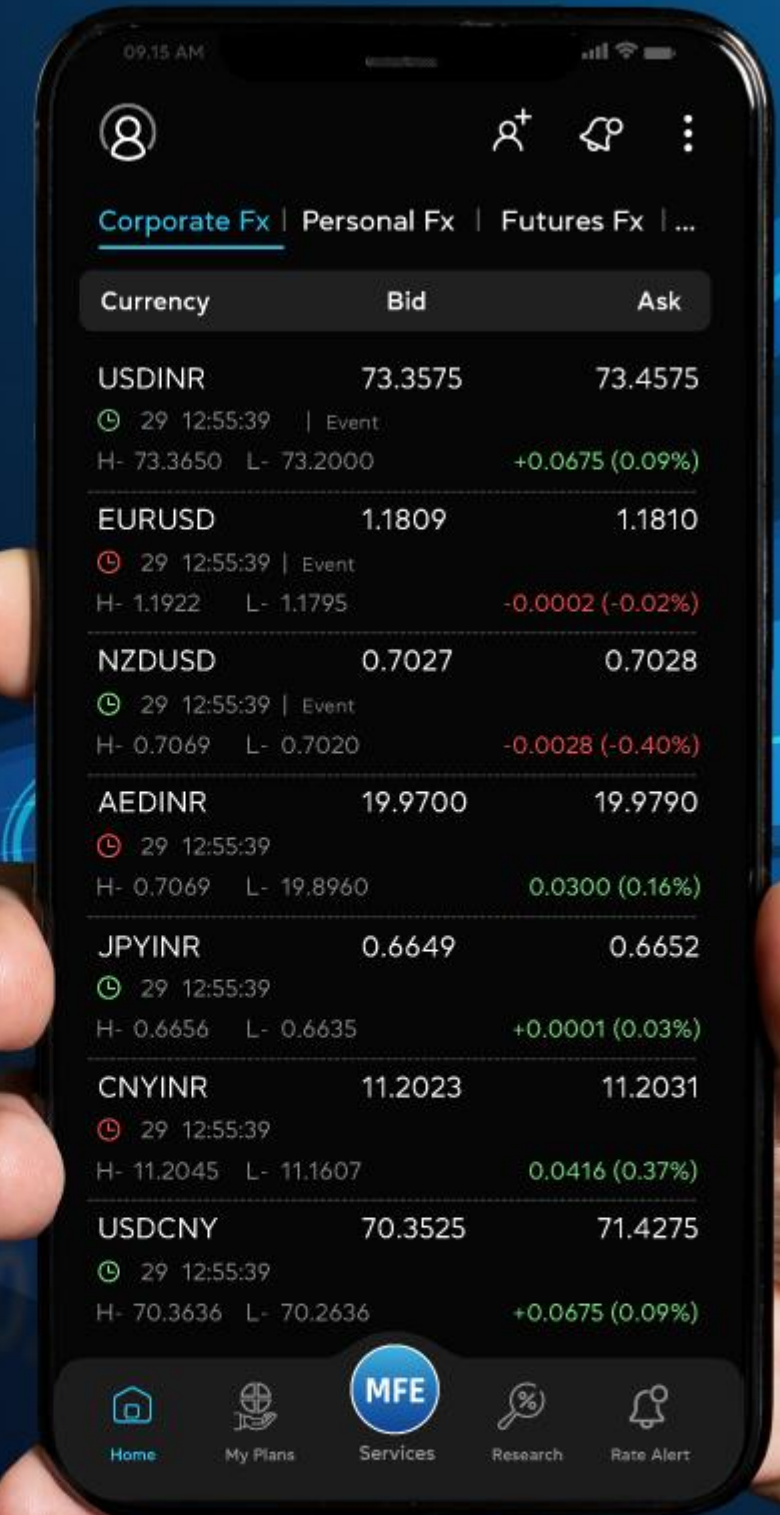
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*Till December 2022



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