Myforexeye
Simplifying Forex

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

Forex Market Insights

Newsletter

Volume 11 → May 22 to May 28, 2022

Welcome

Dear Stakeholders,

The US$/INR hit an all-time low intraday level of 77.79 last week, wherein RBI was said to have been selling dollars near the 77.70 level after the rupee began the day on a historical opening low. Indian equity ended the volatile week on a positive note, rallying up to 3% and logging their biggest intraday gains in more than three months. Domestic inflation geared up to an 8-year high in April, prompting multiple global agencies to reduce India's growth forecasts. The DXY, which has witnessed an aggressive winning streak over the last couple of weeks – strengthening by more than 8 % – fell to an 18-month low and was last recorded at 103.07.

The S&P index marked its seventh straight week of losses, the longest streak since 2001. The Fed is expected to hike interest rates even higher by the end of this year than previously expected, stocking fears of significant recession risks. The Fed's 2% inflation target is still out of reach as interruptions in global supply chains continue. China's central bank cut a key interest rate from 4.6% to 4.45%, in an attempt to support growth.

Is a recession the inevitable outcome?

Regards

Vijay Gauba
Additional Director General
Trade Promotion Council of India

CONTENTS

Key Takeaway Summaries

₹ INR

Persistent FII outflows are expected to weigh on the domestic currency.

€ EUR

The US Federal Reserve and the ECB press on to decrease the amount of liquidity in the economy.

£ GBP

Market might not need to scale back its anticipations for BOE rate hikes much further.

¥ JPY

Treasury yields have fallen lower through Thursday, supporting the yen regain.

Myforexeye
Simplifying Forex

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

₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.4%	1.84%	7.79%	7.8%	$-20.11B

Events to WATCH

The US$/INR ended the week at 77.5475. The rupee may continue weakening against the US$ and even test a fresh low as global stagflation fears are likely to cause a flight of capital from emerging markets including India (*period of low economic growth combined with high prices and unemployment*). The Indian currency has depreciated 1.5%, so far in May and is headed for its worst monthly fall since Sep. Troubles have intensified in the rupee of late, as the appeal of the US$ has risen globally on worries of aggressive interest rate hikes by the US Fed.

Other emerging market currencies have also not been spared. The Indian rupee has plunged 4.3% in 2022, compared to a depreciation of 5.8% for China's yuan and 7% for the Korean won. The important events due out later in the next week are New Home Sales (Apr), Core Durable Goods Orders (MoM) (Apr), Crude Oil Inventories, GDP (QoQ) (Q1), Initial Jobless Claims and Pending Home Sales (MoM). There are no major events for the Indian rupee.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
1.0%	-1.4%	8.3%	3.6%	$-109.80B

Events to WATCH

May 24, 19:30
New Home Sales (Apr)

May 25, 18:00
Core Durable Goods Orders (MoM) (Apr)

May 25, 20:00
Crude Oil Inventories

May 26, 18:00
GDP (QoQ) (Q1)

May 26, 18:00
Initial Jobless Claims

May 26, 19:30
Pending Home Sales (MoM) (Apr)

In the middle of this week, the Rupee plunged to its all-time low of 77.7975. This is the second consecutive week where the Rupee plunged to an all-time low, though the pair managed to slightly cool off in the last two trading days and closed at 77.55. On the second and last trading day, the pair made a Dragonfly doji, which is considered to be a potential reversal pattern. There are 2 price gaps, which have recently been made: highlighted by red and sky blue horizontal lines – one formed on 9th May (76.97 – 77.1250) and another formed on 6th May (76.2950 – 76.9150). Momentum indicators (MACD and RSI) are bearish signals. On the upside, there is no resistance for the pair as it is hovering around an all time high, while on the lower side, we can see at least filling up two recent price gaps. Dollar exporters should look to continue increasing their hedge ratios as it's trading around all time high-through forwards and can also look for a vanilla option. Dollar importers have a more challenging task at hand. Do vanilla options if mandated to hedge. If time is on your side, can hold on for the markets to cool off. Restart hedging using forwards if the rupee recovers towards 76.90 – 76.95.

Myforexeye
Simplifying Forex

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

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
0.0%	0.3%	7.4%	6.8%	€-16.38B

Events to WATCH

May 23, 13:30
German Business Expectations

May 23, 13:30
German Ifo Business Climate Index

May 24, 13:00
German Manufacturing PMI

May 24, 13:30
Manufacturing PMI (May)

May 24, 13:30
Services PMI

May 25, 11:30
German GDP (QoQ)

The EUR/US$ ended with a firm gain just below the level of 1.0600. Even with the dogged risk-averse sentiment, the greenback is weakening broadly, which is the leading factor to support EUR. Growth and inflation data are reported as more alarming, continuing risk-aversion. The US Federal Reserve and the European Central Bank press on to decrease the amount of liquidity within the economy. EURUS$ is continuing to correct the broad oversold situation and could retain the upward trend in the short term. Considering that familiar factors behind the continuing panic remain intact, it is complex to describe the dollar's weakening. Inflation is on its feet at alarming levels, and the recently reported numbers fueled the comfort levels of central banks to increase interest rates. Economic turmoil continues with Covid-19-related limitations surging in Asia. Global employment and wage growth are at inadequate levels regardless of confident decision-makers. Another reason that may have fueled the bullishness is the European Central Bank, as the Government Council's members desperately declared their inclination to increase rates at the earliest.

The Euro has bounced back quite significantly during the week to trade above the 1.05 level, but seems to be struggling around the 1.06 level. Due to this, we can expect market participants shorting this pair, and on the daily chart, there is a bearish flag that we are retesting. Euro has been in a freefall for quite some time, which is logical considering just how hawkish Fed has become. Moreover, with the lack of growth in the EU, the ECB is very far from being able to tighten monetary policy. This leads to a one-sided trade, and therefore all rallies are potential selling opportunities. Until we break above the 1.08 level on a daily close buying the Euro seems risky, something that seems unlikely currently. With this, shorted rallies will continue to be the way of most traders.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
1.0%	0.8%	9.0%	3.7%	£-11.55B

Events to WATCH

May 24, 14:00
Manufacturing PMI

May 24, 14:00
Services PMI

May 24, 14:00
Composite PMI

After falling for 4 continuous weeks, the pair closed 1.8% higher this week as the latest economic data – British retail sales jumped unexpectedly in the previous month. Data shown on Friday indicated the market might not need to scale back its anticipations for BOE rate hikes much further. The highest unemployment benefit claims since January in the US also aided the sterling to gain versus the dollar. We might see further upside in this pair as 1.25 levels can attract a lot of traders' attention. It's quite an important week ahead for the pair as BOE Gov. Bailey's speech is scheduled for the start of the week itself. While the Composite PMI is set to be released on Tuesday along with the Manufacturing and Services PMI, market participants will also be eying the release of the Quarterly GDP of the US, which is expected to come as same as the previous print of -1.4%.

The British pound has turned around to show signs of strength, in an attempt to recover from the oversold condition. The candlestick is rather a strong sign, but it should be noted that the 1.25 level seems to be quite resistive. It is hard to comment on a continued recovery. The economic indicators for the US dollar continue strengthening, while that for British pound continue falling. Currently, it looks as if the market will continue to witness fading rallies, as there is no real reason to shun the greenback at the moment. If we manage to break out from here, there is plenty of resistance at the 1.26 level, and then again at the 1.30 level. All things considered, we would need to see a shift in global expectations, and perhaps even a move in the stance of the Fed to change everything. It is unlikely to happen, so it is likely that the pound continues to lose its value over the next several weeks.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
-0.10%	-0.2%	2.5%	2.6%	¥-839B

Events to WATCH

May 24, 06:00
Services PMI

May 27, 05:00
Tokyo Core CPI (YoY)

Since April 2022 US$/JPY traded below 128.00 for the first time on Thursday. The rise in Japanese inflation and declining US Treasury rates support the yen. The Prime Minister of Japan Fumio Kishida says that hikes in raw material prices, worsened by a shaky yen are creating difficulties for households and businesses. After two months of unsurpassed weakness, the Japanese yen has moved from its 2-decade low by a blend of economic, fundamental, and technical reasons that could indicate a change in situations. Since swapping above the levels of 3.0% in the early sessions of the month, the US 10-year yield has been floating lower as recession threats have reflected in falling stock prices. US Fed Chair Jerome Powell has continued to be firm that the central bank will brawl inflation regardless of economic growth, but there are doubts on rate hikes could carry on at the forecasted rate if the economy plunged into a recession.

The US$/JPY ended the week at 127.85. The widening divergence of the price beneath the signal line in the Moving Average Convergence Divergence is a negative for the pair. Furthermore, the descent of the Relative Strength Index from the overbought level at 77 in late Apr and 68 on May 6 to 49 on Friday as the pair retained the majority of its Match to gains of May, indicates likely losses. The turn in the moving average on the basis of 21-day is also a sign that short-term momentum has shifted lower. The first resistance level was 128.94 following the second resistance at 129.45. The major support for the pair is at 127.51. Treasury yields in the US may have temporarily peaked and the next FOMC meeting is four weeks away on Jun 15.

BLOG

What Is Copy Trading

The basic principle of copy trading is the same as mirror trading or auto trading. The main idea here 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, 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 itself.

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, even on a coffee trading platform, all you need to do is choose the investor you want to follow and the rest is done for you. 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 when you wish to finalize an investor to replicate and they include their years of experience in trading, their track record, the type of investments they prefer, and the approximate holding time per investment. Out of all the potential benefits of copy trading, 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.

Benefits of Copy Trading

Limited Losses

One of the biggest advantages for beginners is that 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. 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 have a higher chance of success. You have the independence to begin at whatever level and with how much ever knowledge you have as you mimic investors and succeed. Additionally, you also get supervised guidance and advice on portfolio management.

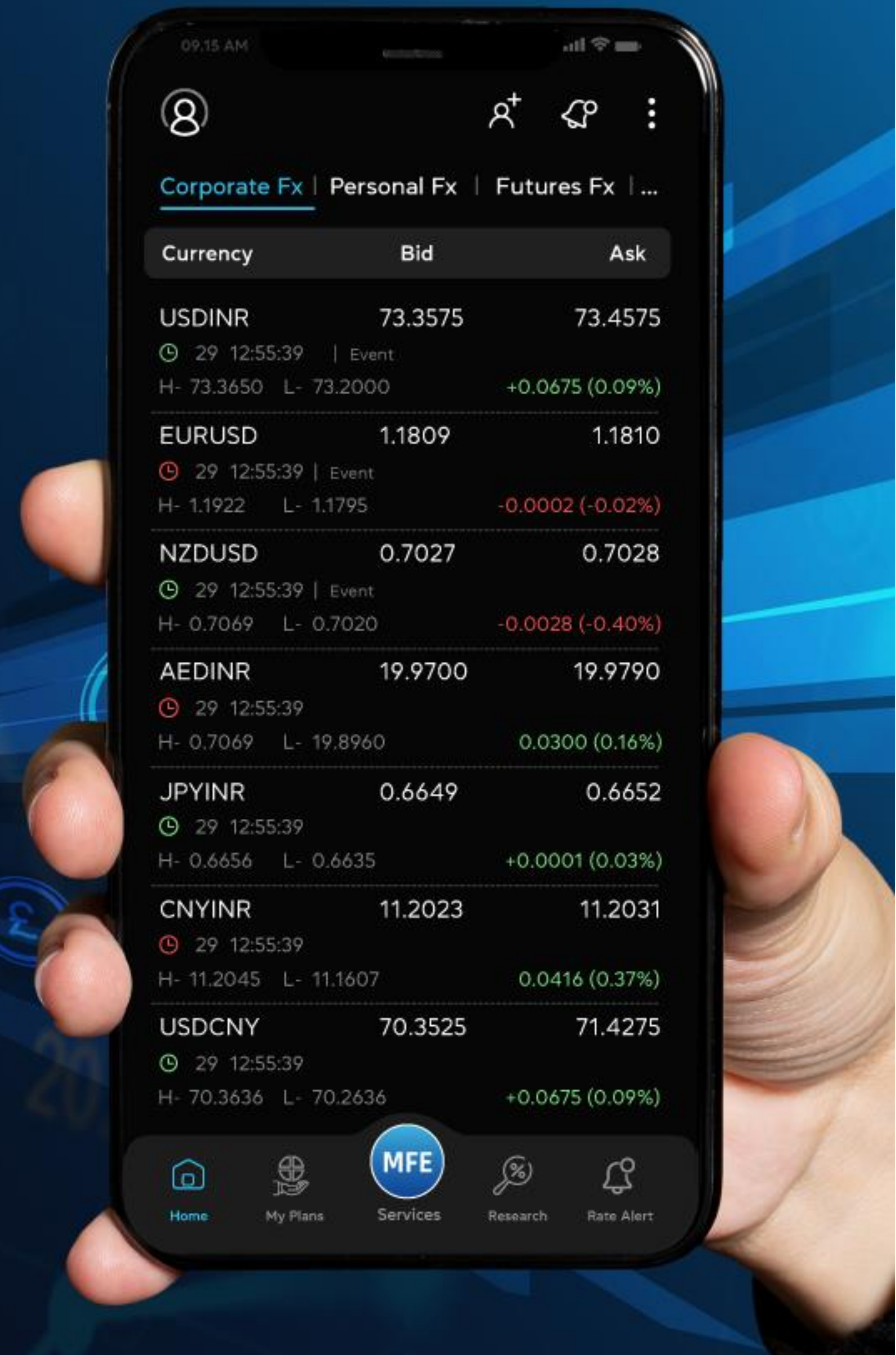
Guide For Beginners

Whenever someone new joins the trading market, they need to have a clear understanding of the kind of principles that are followed under forex trading. However, with the help of copy trading, you can easily plan out your investment blueprint with the help of existing export traders.

Exclusively for TPCI members: Complimentary

Myforexeye application access

*Till December 2022



Scan this QR To Get the Myforexeye APP

Myforexeye
Simplifying Forex

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

Contact Details

Myforexeye
Simplifying Forex

Ritik Bali
8860447723
advisory@myforexeye.com

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

Nikhaar Gogna
9818995401
editorial@tpci.in

<u>DISCLAIMER</u>: 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.