



Forex Market **Insights**  
Newsletter

Volume 21 → Jul 31<sup>st</sup> to Aug 06<sup>th</sup> 2022

## Key Takeaway Summaries

### ₹ INR

Reserve Bank of India's FX interventions should continue to limit volatility.

### € EUR

The EUR/US\$ touched a fresh daily low on Friday during the American session.

### £ GBP

Chance of 50 bps rate hike by Bank of England in the next meet in early August.

### ¥ JPY

Japanese Ministry of Finance announced on Friday that it has set aside JPY 257 bn to tackle surging oil prices.

# Welcome

Dear Stakeholders,

Just when market participants thought that the Indian Rupee will only weaken, the Indian unit opened stronger on Friday and closed the week at 79.25, a significant gain over the previous day's close of 79.75. The domestic currency was supported by general dollar weakness and hawkish comments from the IMF. On the global front US Fed hiked the key policy rates by 75 bps, as expected, to 2.25%-2.50% and there are expectations of a further 75 bps rate hike in September. DXY dipped to a fresh low since July 05 as Treasury yields remain under pressure at the lowest level since April. On the data releases, the Core PCE numbers may prompt the US Fed for further rate hikes to contain inflation, wherein UK S&P Global PMI reports increased the chances for a 50 bps BOE rate hike in August.

Going forward the majorly awaited events for the upcoming week are the US Nonfarm Payroll, which will influence the Fed's tightening expectation in the coming months. BOE interest rate decision will also have a significant impact along with UK S&P Global Services, US ISM Services PMI, and US Factory Orders.

Regards

Mr Vijay Gauba  
Additional Director General  
Trade Promotion Council of India

## CONTENTS

INR 2

US\$ 3

EUR 4

GBP 5

JPY 6

BLOG 7



## Events to WATCH

Aug 2, 18:00  
Trade Balance

Aug 3, 10:30  
Nikkei  
Services PMI  
(Jul)

Aug 4, 10:00  
Reverse REPO  
Rate

Aug 5, 10:00  
Interest Rate  
Decision

The closed at 79.25 against the dollar and in its best single-day performance since 27 Aug last year. Indian 10-year bond yield ended trading at 7.31%, after falling to 7.25% earlier, its lowest since May 12. Nifty and Sensex ended higher at 1.35% and 1.25%. Treasury yields of the US declined overnight after economic data showed the economy contracted again in the 2nd quarter on Thursday. The growing market conviction on a US recession and consequent demand for the dollar is a key near-term risk for the rupee. The Reserve Bank of India's FX interventions should continue to limit volatility in the rupee. Foreign fund flows will be an important factor determining the Indian rupee's fortunes in the coming months.



Foreign investors were net sellers of Indian stocks worth more than US\$ 30 billion so far in 2022. Market participants will now shift their focus to RBI's monetary policy review next week. With the Fed having stuck to a 75 basis points hike and concerns of a global recession still looming, RBI may announce a modest 25-35 bps hike in the repo rate next week. Just when market participants thought that the Indian Rupee will only weaken, the Indian unit opened stronger on Friday and closed the week at 79.25, a significant gain over the previous day's close of 79.75. Traders and hedgers were suddenly forced to re-align their expectations and trading/hedging strategies.



## Events to WATCH

Aug 1, 19:30

ISM Manufacturing PMI (Jul)

Aug 2, 19:30

JOLTs Job Openings (Jun)

Aug 3, 19:30

ISM Non-Manufacturing PMI (Jul)

Aug 5, 18:00

Nonfarm Payrolls (Jul)

Aug 5, 18:00

Unemployment Rate (Jul)



A first glance on the daily candlestick chart shows a conspicuous price down gap, highlighted by the red horizontal lines: from 79.7025 (28Jul) to 79.53 (29Jul). Friday's move has filled a price gap (*black dotted horizontal lines*) formed at 79.44 (11 Jul) to 79.51 (12 Jul). Momentum indicators have gradually cooled off towards the neutral territory. On the weekly chart, observe an Evening Star candlestick pattern. It is a 3-candle pattern consisting of:

First candle: large bullish (green): good buying pressure and continuation of an uptrend

Second candle: small bullish (green): long upper shadow, small body, undecided market, first sign of an exhausted uptrend

Third candle: large bearish (red): big selling pressure, closes below the midpoint of first candle

In an uptrend, an Evening Star suggests a trend reversal and probably more rupee gains.

Our sense is for some more of a short-term rupee recovery. There is a price gap around 79.53-79.70, suggesting a possible dollar up move as well. Exporters should continue on their hedge plan, more of forwards and some vanilla options. Importers can start hedging for liabilities, more of vanilla options and some forwards if benchmarks/budgets permit.

## Events to WATCH

Aug 1, 13:25  
German  
Manufacturing  
PMI (Jul)

The EUR/US\$ touched a fresh daily low on Friday during the American session at 1.0145 and then recovered to above 1.0200. Data reported on Friday in the US depicted a larger-than-expected rise in consumer spending and personal income. Simultaneously, Core PCE exhibited inflation is not falling back. US yields advanced at first but then fell back. Before the week-close, the US 10-year yield was at 2.63% the bottom level since April. The important data for next week is the US official employment data on Friday, with market consensus assuming a rise in payrolls by 250K. Employment likely continued to rise soundly in July but at an average pace after four consecutive job gains underneath at 400k in March-June. A tick below 1.0105 could initiate a retest of parity. The currency pair needs to boost through 1.0280 to avoid the negative posture and broaden its recovery towards 1.0360.



EUR/US\$ lost its ground once again in the 1.0250/60 range, reflecting a sudden move down to the sub-1.0200 area soon afterwards. The pair couldn't breach this area of resistance and if breached, it could induce a more sustainable downside. Further below, there is a strong support in the 1.0100 region, which is this week's low. The negative performance of this area could induce losses to the key support level prior to this year's low at 0.9952 touched on July 14 this month.

The pair is expected to stay under downside pressure while below the 5-month resistance line around 1.0460. On long term, the pair's bearish view is expected to stay as long as it trades below the 200-day SMA at 1.0962. The recently firmer RSI (14), not oversold, joins the MACD's bullish signals to support the price regain, which in turn keeps bulls hopeful. That said, the quote's upside break of 1.0230 could direct buyers towards a downward sloping resistance line from early June, near 1.0310. Fortnight-long horizontal support zone, near 1.0115-25, limits the pair's immediate downside amid the 61.8% Fibonacci Expansion of March moves close to 0.9950. Should this not be resistance instead of support?



## Events to WATCH

Aug 1, 14:00  
Manufacturing  
PMI (Jul)

Aug 3, 14:00  
Composite  
PMI (Jul)

Aug 3, 14:00  
Services PMI  
(Jul)

Aug 4, 16:30  
BoE Interest  
Rate Decision  
(Aug)

Pound registered a second consecutive week of gains, as the recovery momentum continued amid an extended correction in the US currency across the board due to the Fed dovish stance. Though Fed Chair dismissed that the US economy is in a recession but second straight quarter of negative US GDP data indicates a technical recession. Meanwhile inflation at 9.4% in UK and surprise higher than expected rate hike by ECB last week boosted the chance of 50 bps rate hike in Britain too by Bank of England in the next meet due in early August. On the other hand, Friday's better-than-forecasted preliminary UK S&P Global PMI reports also ramped up bets for a 50 bps BOE rate hike. It's a quite important week ahead for the pair as composite PMI and services PMI of July month of UK is scheduled for Wednesday while construction PMI is set to release on Thursday along with BoE interest rate decision. Traders will also be eying US job data for fresh trades due at the end of week.



GBP/US\$ pair remained on the bullish trend from the start of week, but couldn't hold much above 1.22 levels. We might see continuation of an upward trend as ascending channel is formed on a 4-hourly chart, which is considered to a short term bullish pattern. Holding above 1.22 levels could open the doors for psychological level of 1.25 while on the downside, 1.2045-50 could be a good support for the GBP/US\$ as 50-days SMA is there. Momentum indicator RSI is trading around 60, which is considered to be a slight overbought zone, while MACD is trading in a neutral zone.

# ¥ JPY

REPO RATE

-0.1%

GDP

-0.1%

INFLATION

2.4%

UNEMPLOYMENT

2.6%

TRADE BALANCE

¥ -1384B

## Events to WATCH

Jul 26 , 10:30  
BOJ Core CPI  
(YoY)

Jul 29, 05:20  
Unemployment  
Rate (Jun)

Jul 29 , 05:20  
Retail Sales  
(YoY)(Jun)

Jul 29, 05:20  
Industrial  
Production  
(MoM)



The US\$/JPY pair stalled its intraday fall close to mid-132.00 and quickly rebounds over 90 pips from a 6-week low tapped last Friday. The currency pair was bidding around the 133.35-133.40 area, still lower close to 0.70% yesterday. As market participants absorbed the less aggressive FOMC decision and Thursday's upsetting US GDP data, the greenback back-pedaled a significant part of its early loss to the bottom level since July 5. An adequate advance in US Treasury bond yields is providing some support to the US dollar. Additionally, a further recovery in the global risk view as seen by some positive actions in the stock markets weakened the Japanese yen. Investors now focus on US Personal Consumption Expenditures data. Also, the broader market risk sentiment could initiate short-term trading chances around the US\$/JPY pair. Japanese Ministry of Finance announced on Friday that it has set aside JPY 257 billion in budget reserves to tackle surging oil prices.

No further detailed information is disclosed on its utilization pattern. From a technical perspective, the US\$JPY is prolonging its solid intraday recovery from the 132.50 level and continues scaling higher. Spot prices corrected over 300 pips from above 136 levels. In the consecutive 3 trading sessions, the pair reflected the red candles on the chart, which dragged RSI close to oversold territory. The post-FOMC steep decline support is marked by an ascending trend-line extending from the Apr 22, where pair touched 132.50 level. However, bulls struggle to capitalize on the move beyond the 50-day SMA support level but on Friday market closed on the edge of it. Strong support is at the 132.50 level (marked on the trend line). The pair can face resistance at 134.67 (green horizontal line) followed by the next resistance at 136.57 (yellow horizontal line)



**TPC** Trade Promotion  
Council of India

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





# BLOG

## Why working professionals shouldn't trade currencies on their own

Most nations struggle with their own financial and economic issues, which frequently affect every industry you can imagine. That obviously includes the currency market, where currencies are traded on a global scale.

According to the 2019 Triennial Central Bank Survey of FX and OTC derivatives markets, the foreign exchange market, often known as the forex market, has a daily volume of US\$ 6.6 trillion, making it the largest financial market in the world—larger even than the stock market.

### Forex Trading

Foreign exchange trading is defined as buying and selling of foreign exchange currency at an agreed-upon price by a network of buyers & sellers. It is the process by which individuals, businesses and central banks convert one currency into another. Due to the large volumes of demand and supply, the price swings of particular currencies can be quite volatile. This makes forex so appealing to traders: it increases the possibility of large rewards while

simultaneously increasing the risk.

### Forex Trading Method

Most forex traders speculate on future currency price fluctuations, similar to stock trading. There are three distinct approaches to trading forex:

#### Spot Market

Spot FX trading involves buying and selling a currency pair at the going market rate or spot price for a settlement 2 working days later. This is very short term forex trading where one can speculate on an intra-day or a time frame of up to 2 days.

#### Forward Market

Foreign exchange risk for future settlement is hedged via forward contracts. For instance, to prevent adverse forex rate movement, an importer or exporter with an FX contract limit could lock in current exchange rate by signing a forward contract and fix a currency exchange rate for a future settlement. This is generally used by clients for a medium/ length tenor.

### The Futures Market

Forex futures are currency derivative contracts traded on exchanges and obligate the buyer and seller to complete a transaction at a preset price and time. The two primary purposes for forex futures are hedging and speculation.

### Conclusion

Drawbacks in forex trading stem from the amount of speculation and several global factors. A few factors that might cause significant losses include monetary policy changes, surprise changes in economic data, time discrepancies, volatility of leveraged trades, and geo-political issues. There may be a major influence on financial markets and currencies of several nations. But properly executed forex trading can potentially generate substantial profits.





# 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%)



# Contact Details



Ritik Bali  
8860447723  
[advisory@myforexeye.com](mailto:advisory@myforexeye.com)



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

Nikhaar Gogna  
9818995401  
[editorial@tpci.in](mailto: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.*