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

Forex Market Insights

Newsletter

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Welcome

Dear Stakeholders,

The rupee tumbled to a low of 80.86 against a US$ on Thursday as compared to its previous day's close at 79.98. This is the biggest single-day slump in 7 months followed by an all-time low of 81.23 in Friday's session. The aggressive rate hike by the Fed may force the RBI to go for a sharp increase in the repo rate. The RBI Monetary Policy meeting is scheduled during Sep 28-30, where it is widely expected to hike the key rate by 35 to 50 bps at the end of this month.

The aggressive rate hike by the US Fed will put pressure on the stock markets. When the interest rate is raised in the US, investors pull assets away from the emerging markets.

Oil prices dragged about 5% to an 8-month low on Friday as the DXY hit its strongest level in more than 2 decades on concerns that rising interest rates will lead major economies into recession, thereby reducing demand for oil. Brent futures plunged by US$ 4.31, or 4.8%, to end at US$ 86.15 a barrel, 6% lower for the week. The pound slipped 3.5% against the dollar Friday after the new UK government announced an economic plan in a bid to boost growth. The pound had touched as low as US$ 1.084.

Regards

Mr Vijay Gauba
Additional Director General
Trade Promotion Council of India

Key Takeaway Summaries

₹ INR

The pair continued its harsh downward trend on the last day as well, to trade beyond the 81-level mark.

€ EUR

US Federal Reserve’s hawkish stance to fight inflation pushed the pair to a two-decade low.

£ GBP

The struggling British pound dropped 3.5% versus the dollar on Friday.

¥ JPY

Authorities interfered in the market for the first time since 1998 to stop the sharp slide in the Japanese currency.

₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.4%	1.4%	7.0%	8.3%	$-27.98B

Events to WATCH

Sep 30 10:00
Interest Rate Decision

Sep 30 10:00
Reverse REPO Rate

Sep 30 17:00
FX Reserves, US$

The US$/INR pair opened the week at 79.68, recovering some of its losses from the previous close of 79.74 as RBI's hawkish comments alluded to further increasing the interest rate to manage high inflation. However, risk aversion and the soaring dollar continued to restrain markets. The rupee continued to depreciate, marginally up until Wednesday when it almost touched 80-levels prior to the Fed interest rate hike, which was expected to climb by 75 bps. After the anticipated rate hike of 75bps by the Fed, the Rupee depreciated hugely crossing the 80-level mark to open at 80.2850 the next day and going to a high of 80.86.

The pair continued its harsh downward trend on the last day as well, to even trade beyond the 81-level mark. Following this scenario, local currency exporters quickly hedged their positions for the months ahead. India's forex reserves fell for an 8th straight week, going below US$ 550 billion, to remain on a 2-year low as RBI intervened to protect the Rupee. Next week Powell's speech will indicate future prospects of the Fed, and a few other vital economic events like New Home sales, Initial Jobless Claims & Crude Oil Inventories.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.25%	-0.6%	8.3%	3.7%	$-70.700B

Events to WATCH

Sep 27, 19:30
New Home Sales (Aug)

Sep 27, 19:30
CB Consumer Confidence (Sep)

Sep 28,19:30
Pending Home Sales (MoM) (Aug)

Sep 28,20:00
Crude Oil Inventories

Sep 29,18:00
GDP (QoQ) (Q2)

Sep 29,18:00
Initial Jobless Claims

Sep 30,18:00
Core PCE Price Index (MoM) (Aug)

On the technical chart, the pair started the week at 79.68 on (19-Sep) followed by 3 positive green candles and the rupee managed to close at 79.98 (21-Sep). On Wednesday, US Fed monetary policy outcome was released late evening with a 75bps interest rate hike along with hawkish comments for the upcoming meeting in November subject to economic conditions.

US$/INR has formed a breakaway gap and moved from 79.99 (day's high on 21-Sep-22) to 80.29 (open on 22-Sep-22). For the last 3 months pair consolidated in the range of 79 to 80 even after multiple attempts on the upside. After the US Fed meeting, on the next trading session when the majority of the currencies across the board declined against the dollar, the rupee was not left out.

On 22-Sep, the US$/INR high was 80.86, which implies the rupee depreciated 89 paise from the last day's close of 79.99. However, the market continued to rally on 23-Sep and US$/INR touched the all-time high of 81.23 which led the rupee to decline by another 36 paise. In 2 trading sessions, the local unit tumbled by 1.25 rupee against the dollar. RSI is in the oversold region above 70 along with strong divergence in the MACD line and the signal line. As RBI defended the rupee in the last trading session below the 81 level, a retracement is expected in the upcoming week. The pair can recover up to 80.20- 80.40.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
1.25 %	0.8%	9.1%	6.6%	€-33.978B

Events to WATCH

Sep 30, 14:30
Unemployment Rate (Aug)

Sep 30, 14:30
CPI (YoY) (Sep)

Sep 30 14:30
CPI (MoM)

EUR/US$ remained on the backfoot since the second trading day of the week. It hit 0.9666 on Friday, its lowest since October 2002, to end the week with sharp losses at around 0.97. Major dollar strength due to 75bps interest rate hike by US Federal Reserve and a hawkish stance to fight with inflation pushed the pair to two decades low.

Outlook of the European Union is also bad as they have to worry about energy supply this winter, it will be difficult for them to go through the winter easily, this is also creating selling pressure on the pair. ECB President Lagarde and Fed Chair Powell's Speech is due at the start of week. Going ahead we have GDP Q2 data from US side and at the end most important Eurozone inflation, which is expected to come higher by 0.5% compared to the previous print of 9.1%.

The European currency spent most of the time falling during the week as we can see long red candles in last four trading session. Pair has even broken the level of 0.97, which we didn't see in over 2 decades. Bears seem to be heavy on bulls as the European Union has to worry about energy supply this winter, and of course the US Fed remains very tight with its monetary policy. Now we are in a bit of freefall situation and it's just a matter of time we could see levels of 0.95 which would give more pain to the US$ buyers while short term recovery is expected if traders unwind their short positions. On the daily time frame, momentum indicator RSI is trading at 28, which is considered to be an oversold zone while 50 days moving average is above the parity.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
2.25%	-0.1%	9.9%	3.6%	£-07.793B

Events to WATCH

Sep 30, 11:30
GDP (QoQ)

Sep 30, 11:30
GDP (YoY)

The British Pound started off by trading at 1.1429 but continuously tumbled against the US$. Market anxiety remained prior to the Federal Open Market Committee's (FOMC) and the Bank of England's crucial monetary policy announcements\. The GBP/US$ appeared to have an edge in making a recovery from the previous day's lowest levels due to softer US domestic data and negative inflation forecasts. BOE announced a rate hike of 50bps whereas Fed turned out to be more hawkish. Sterling lost more after the measures were announced, falling as low as US$ 1.084. The dollar has been supported by Federal Reserve interest rate rises and equity market volatility. The struggling British pound dropped 3.5% versus the dollar on Friday. Equities in the UK also declined, with the FTSE 100 reaching its lowest point since March. The 10-year yield achieved its highest level since 2010, while the yield on 2-year U.K. government bonds reached its highest level since October 2007.

The British currency collapsed completely during the week and we didn't see any green candle in the pair except the first day of week. In fact pair posted its biggest weekly fall of 4.9% against the U.S. currency in two years. We saw a free fall in the pair after breaking the psychological level of 1.12 on the last trading day. Condition are getting worse for the bulls in this current scenario. Things can only be changed when the outlook of the Great Britain changes or if the Federal Reserve suddenly changes its monetary policy, which seems unlikely in the near term. Looking at the daily chart, we can expect a slight recovery in the pair as RSI is trading at 17, which is considered to be an oversold zone and traders could unwind their short positions while on the downside, we can't see any support for the pair in the short term.

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¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
-0.10%	0.9%	3.0%	2.6%	¥ -2817B

Events to WATCH

Sep 26, 06:00
Services PMI

Sep 30, 05:00
Unemployment Rate (Aug)

Sep 30, 05:00
Jobs/applications ratio (Aug)

Sep 30, 05:20
Retail Sales (YoY) (Aug)

Sep 30, 05:20
Industrial Production (MoM) (Aug)

The US$/JPY pair oscillated in a range as it failed to take advantage of the previous day's late recovery from a two-week low. The pair is now located in neutral space, roughly in the 142.25 area, and is being influenced by a number of opposing factors. The fact that authorities interfered in the market for the first time since 1998 to stop the sharp slide in the native currency continues to strengthen the Japanese yen. In addition, the pair is being hampered by the pervasive risk-off atmosphere, which is feeding mounting recession fears and supporting the safe-haven JPY. But, at least temporarily, a strong US currency helps keep spot prices from falling too far. The underlying environment, however, points to an upward trend for the US$JPY pair as the direction of least resistance. The release of the flash US PMI prints is currently anticipated by market players as a new incentive. The US dollar will be impacted by bond yields. In addition, the general risk mentality may help provide opportunities for short-term trading on the last day of the week.

US$/JPY started the week at 142.94 and the daily chart shows the initial bias is neutral. Although a deeper decline cannot be ruled out, the 140.35 resistance turned support should limit the downside. A breach of 145.90 on the upside will restart a stronger uptrend toward long-term resistance at 147.68. The technical chart is showing price behavior of the US$JPY is upwardly extended, while the Relative Strength Index is continuing in a downward direction, slightly above its 7-day RSI's simple moving average.

Therefore, a clear break below the 20-day exponential moving average at 140.35 is indicating control of US$JPY buyers. The MACD crossover is in the negative zone and trending lower, indicating that the pair is under increasing selling pressure. The 145.90 resistance level (red horizontal line) acts as a significant roadblock. The next support level for the US$JPY would be 140.35 if it breaks below the psychological level of 142.00.

BLOG

Beginner's Risk Management Strategies For Forex Trading

Forex trading has been the global marketplace for exchanging currencies from all over the world. The need for currency exchange is very high in the global market as international trade has become a common phenomenon.

There is no confirmation that you will always gather profits from forex trading. The prime reason behind this uncertainty is the volatility of the forex trading market.

With that being said, the excitement of trading is unmatched. You just need to work around your intuition, analyze the market news and price ups and downs, and use effective risk management strategies that work in your favor. However, people believe forex trading is just an easy moneymaking strategy and tend to ignore the list of common risks involved in forex trading.

To help you understand better, some of the possible risk management strategies that you can adopt before you buy in your next currency, are mentioned in this blog.

Forex Risk Management Strategies

Use Demo Account- The effectiveness of practicing with the demo account before going full in for forex trading lacks the acknowledgment it deserves. The demo account lets you trade in the same market environment but without the risk of money losses.

Fix A Risk-Reward Ratio- The strategy of analyzing and setting a risk to reward ratio for your trade is highly necessary to avoid losing big. The main goal is to ensure you make every trade worth it for your bank account. It does not guarantee of profit, but it does reduce the chances of losses greatly.

Watch The News- Analysis plays a major role in deciding the potential future of any currency trade. So, it is very important to keep an eye out on the different market announcements, political declarations, etc.

Set Your Risk Tolerance- You need to enter forex trading with a brave heart as it can get a little stressful. So, another risk management strategy to better plan your profits and losses is to set a risk tolerance for yourself before you begin. It is necessary to ensure you sleep better and feel confident about your financial position, even after trading.

Use Stoploss Strategy- Both profits and losses are essential parts of the forex trading market. Thus, other than planning profits with focused calculations, it is also important to limit your potential losses. The most effective way to move forward with this strategy is to use stop-loss tactics.

Be Consistent- In simpler words, do not start investing big and increasing the size of your positions as soon as your profits increase. This will directly impact the risks attached with big trades. Always set an investment percent per trade for the initial time to ensure you better manage your profits and losses.

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