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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

Volume 31 → Oct 10-14, 2022

Welcome

Dear Stakeholders,

The US Data released in recent times reported that non-farm payrolls increased by 263,000 in September - slightly above forecast - with the jobless rate dipping to 3.5%, below expectations. Markets are currently pricing in a 92% chance of a 75-bps increase for next month's FOMC meeting. Further, the employment report portrayed the economy was not in recession despite GDP contracting in the first half. But risks of a downturn next year are increasing as the Fed ramps up its fight against inflation.

Whilst we maintain our core and long-held bullish outlook, it is expected that early Q4 can see a consolidation phase unfold, before a potentially final push stronger in the dollar for a move to 118.37 in the DXY, potentially the 121.02 high of 2001.

India's foreign exchange reserves fell to US$ 532.66 billion in the week through Sept. 30, their lowest level since July 2020, the Reserve Bank of India's weekly statistical supplement showed last week. The country's reserves declined for a ninth continuous week. Domestic currency breached the key 82 per dollar level this week, having weakened for four straight weeks, with investors awaiting the RBI's intervention.

Regards

Mr Vijay Gauba
Additional Director General
Trade Promotion Council of India

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Key Takeaway Summaries

₹ INR

US$/INR pair went on to continue its depreciating trend for this week.

€ EUR

According to the memo, some officials favored a rate increase that was 50 bps wider.

£ GBP

Investors remained worried following the previous week's harsh gilt sell-off.

¥ JPY

Fed tightens while Bank of Japan continues to buy unlimited bonds

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₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.90%	-1.4%	7.0%	6.4%	$-23.872B

Events to WATCH

Oct 12 17:30
Manufacturing Output (MoM) (Aug)

Oct 12 17:30
CPI (YoY) (Sep)

Oct 12 17:30
Industrial Production (YoY) (Aug)

Oct 14 12:00
WPI Manufacturing Inflation (YoY) (Sep)

Oct 14 12:00
WPI Inflation (YoY) (Sep)

Oct 14 17:00
Trade Balance

US$/INR pair continued its depreciating trend. starting the week at 81.62 compared to its previous close at 81.34. The pair moved around the same levels till Thursday, reaching a high of 81.84 and a low of 81.34. On Friday, the Rupee fell drastically to cross the 82-level mark to open at 82.20 and reach a record high of 82.425. There were 3 main reasons for such a huge depreciation. Firstly, sudden increase in the crude oil prices which are currently hovering around 98.45. Secondly, strengthening of the Dollar Index which basically means rising demand of US Dollar against the supply of other 6 main currencies. lastly, India's GDP was devalued by the

World Bank, for the current fiscal year, from 7.5% to 6.5%. It's worth noting that despite the rupee's weakness, the dollar index's recovery over the past two sessions hasn't even covered half of the decline from its two-decade high of 114.7. RBI continuously intervened to save the local currency from depreciating which resulted in our FX Reserves dropping by US$ 4.86 billion to US$ 532.66 billion. CPI (YoY) (Sep), PPI (MoM) (Sep), Core CPI (MoM) (Sep), CPI (YoY) (Sep) and Initial Jobless Claims are some of the key economic events for the upcoming week.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.25%	-0.6%	8.3%	3.5%	$-67.398B

Events to WATCH

Oct 12, 18:00
PPI (MoM) (Sep)

Oct 13, 18:00
Core CPI (MoM) (Sep)

Oct 13, 18:00
CPI (YoY) (Sep)

Oct 13,20:30
Crude Oil Inventories

Oct 14,18:00
Core Retail Sales (MoM) (Sep)

Oct 14,18:00
Retail Sales (MoM) (Sep)

Oct 14,18:00
Retail Sales (YoY) (Sep)

The Indian rupee traded under pressure this week due to sharp oil prices surging after the OPEC+ decision this week to make its major supply cut since 2020 in spite of the concern about a possible recession and soaring interest rates. The local unit started the week at 81.62 (03-Oct) and tested the level of 81.34 (04-Oct) the lowest level of this week but after it, the dollar rally led the rupee to depreciate to its new lowest level at 82.4250 (7-Oct) and rupee managed to close at 82.32 on Friday.

On the technical chart, US$/INR formed a gap (81.9050 -82.17) on 7-Oct with the gap-up opening. The resistance is at the psychological level of 82.50 and the first support can be seen at 81.90 (presented in a red horizontal line) followed by the second support at 81.50. RSI is in the heavily overbought region, indicating a reversal in the pair, but the MACD line and signal have strong divergence. US$/INR has given a breakout above the medium-term trend line which implies a retracement is expected. We anticipate US$/INR (Spot) to quote 81.50 and 82.60) in the upcoming week.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
1.25 %	0.8%	10.0%	6.6%	€-33.978B

Events to WATCH

Oct 12, 14:30
Industrial Production (YoY) (Aug)

Oct 12, 14:30
Industrial Production (MoM) (Aug)

Oct 14 14:30
Trade Balance (Aug)

The EUR/US$ pair sustained its advance during the first part of the week, but it miserably faltered near parity and closed at roughly 0.9750, recording a slight weekly loss. Wall Street posted enormous profits at the start of the last quarter, while US government bonds maintained their advances from the previous week. On Wednesday, when the EU issued more sanctions on Russia for its invasion of Ukraine, the common currency started to lose value. Furthermore, weak EU data rekindled worries about an economic slowdown, dampening the risk-positive mood. The September PMIs from S&P Global were revised lower, indicating a more severe downturn in the business sector. At the same time, wholesale inflation in the EU skyrocketed in August, rising 43.3% YoY, while retail sales declined 0.3% in the same month and decreased 1.3% in Germany. The Monetary Policy Meeting Accounts of the European Central Bank also had an impact on the common currency. According to the memo, some officials favored a rate increase that was 50 bps wider. The average three-year inflation expectation also remained at 3%.

Following Thursday's decline, the Relative Strength Index indicator on the four-hour chart dropped below 50. The indicator, however, has been moving sideways since then, suggesting that sellers remain on the sidelines for the time being. On the downside, the latest uptrend as per Fibonacci retracement 50% lies at 0.9780 whereas second support aligns at 0.9720 of Fibonacci 61.8% retracement and 0.9650 is the static level. Resistances are located at 0.9830 of Fibonacci 38.2% retracement, 100-period SMA, 0.9900 is the psychological level of Fibonacci 23.6% retracement and 0.9920 is the 200-period SMA.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
2.25%	0.2%	9.9%	3.6%	£-07.793B

Events to WATCH

Oct 11, 11:30
Average Earnings Index +Bonus (Aug)

Oct 11, 11:30
Claimant Count Change (Sep)

Oct 12, 11:30
Manufacturing Production (MoM) (Aug)

Oct 12, 11:30
Trade Balance (Aug)

Oct 12, 11:30
Monthly GDP 3M/3M Change

Oct 12, 11:30
GDP (YoY)

GBP/US$ continued to rise at the start of the week as pound bulls gained momentum after UK PM Liz Truss and Kwasi Kwartengon Monday confirmed that the government will not move forward with a plan to eliminate a 45% income tax rate. The overall market sentiment was improved by this change in tax policy, which allowed the safe-haven US dollar to extend its decline from two-decade highs. The pair extended its gains and approached the 1.1500 mark, which would have been its highest level in three weeks, but sellers quickly regained control due to rising geopolitical tensions between Russia and the West. Additionally, the speech by UK PM Truss on Wednesday at the Conservative party conference missed the mark with GBP bulls. Investors remained worried about the country's fiscal situation following the previous week's harsh gilt sell-off. The initial response to positive US jobs data helped the dollar maintain its momentum before the weekend, and as a result, GBP/US$ ended the week in the red at about 1.1100.

The British currency initially tried to rally during the week but found a strong resistance at the 1.15 level. The pair gave up all its initial gains and closed lower by 0.7% for the week. The Sterling traded like an emerging market currency during the week, as the UK will be going through an energy crisis this winter unlike the US. Looking at the trend of pair and conditions on-going in United Kingdom, the Pound could even try to test the lows again. If it happens, we might see a breakdown towards parity level, which is longer term target while on the upside 1.15 would remain a good resistance for the pair. Breaking of 1.15 could open the doors towards 1.20. On the daily time frame, Momentum indicators MACD and RSI are trading in neutral zone.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
-0.10%	0.9%	3.0%	2.5%	¥ -2817B

Events to WATCH

Oct 13, 05:20
PPI (MoM)
(Sep)

Oct 13, 05:20
PPI (YoY)
(Sep)

The US$/JPY pair started the week at 144.748 level and reached its highest at 145.444 during the week. US$/JPY has remained underwhelming since the Nonfarm Payrolls data unexpectedly startled market players, with the US economy adding 263K jobs above the estimated 250K, while the unemployment rate decreased from 3.7% to 3.5%. The US dollar initially weakened against the Japanese yen throughout the week, but it later recovered and began to show signs of life, especially on Friday when the jobs report came in – considerably more hawkish than expected. As a result, it appears that the pair will try to move above the most recent highs, where the Bank of Japan intervened. After all, the Federal Reserve tightens monetary policy while the Bank of Japan continues to buy unlimited bonds, which means printing unlimited money. As a result, it is believed to be mainly a "one-way trade," albeit there may be a few pullbacks. This market is still highly noisy. Next week, the focus will be on US Inflation data for September, including the Consumer Price Index (CPI) and the University of Michigan Consumer Sentiment.

The US$JPY started the week at 144.748 and the daily chart showed some recovery at the beginning but the candles turned green afterward. The focus will again be on the last two weeks' resistant level of 145.902. We may witness the surpassing of this level and the pair may mark new heights. We may also see a decline in the pair as witnessed in the previous weekly session. The correction could touch the bottom at the 50-day Moving Average of 141.01, and we may experience a major pullback if the pair goes below the last 2 weeks' support of 140.35 level. The MACD line is in an upward trend just below the signal line which shows a bullish sentiment. The pair ended the week at 145.382 showing that the price behavior is upwardly extended. The Relative Strength Index has in an upward direction above of its 7-day RSI's simple moving average indicating bullish sentiment.

BLOG

What Is Copy Trading

About 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. In reality, 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, however, it is an effective plan of action to make money on the side by just following an expert's footsteps. The main priority here before you begin copy trading 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 to do it. The first 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.

Benefits of Copy Trading

There are multiple benefits of participating in copy trading that makes it an exciting opportunity to explore for any trader, new or old. However, the benefits are more appealing for beginners.

Limited Losses

One of the biggest advantages for beginners who want to participate in investing 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.

Passive Tactic

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 for your own investments through these experts.

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. You do not always have the opportunity to spend time and energy learning about everything in advance. However, with the help of copy trading, you can easily plan out your investment blueprint with the help of existing export traders

.

Better Risk Management

Another advantage of copy trading for new traders is that it allows you to better mitigate your risks and maximize your earning potential by helping you plan and come up with more effective risk management techniques. Moreover, as you will be imitating another trader's trade secrets, you will have the opportunity to learn and grasp knowledge faster. Even after all these advantages, there is always a potential downside that has to be taken into consideration before you begin copy trading. But remember that success is not guaranteed for every investment as even experts can falter.

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*Till December 2022

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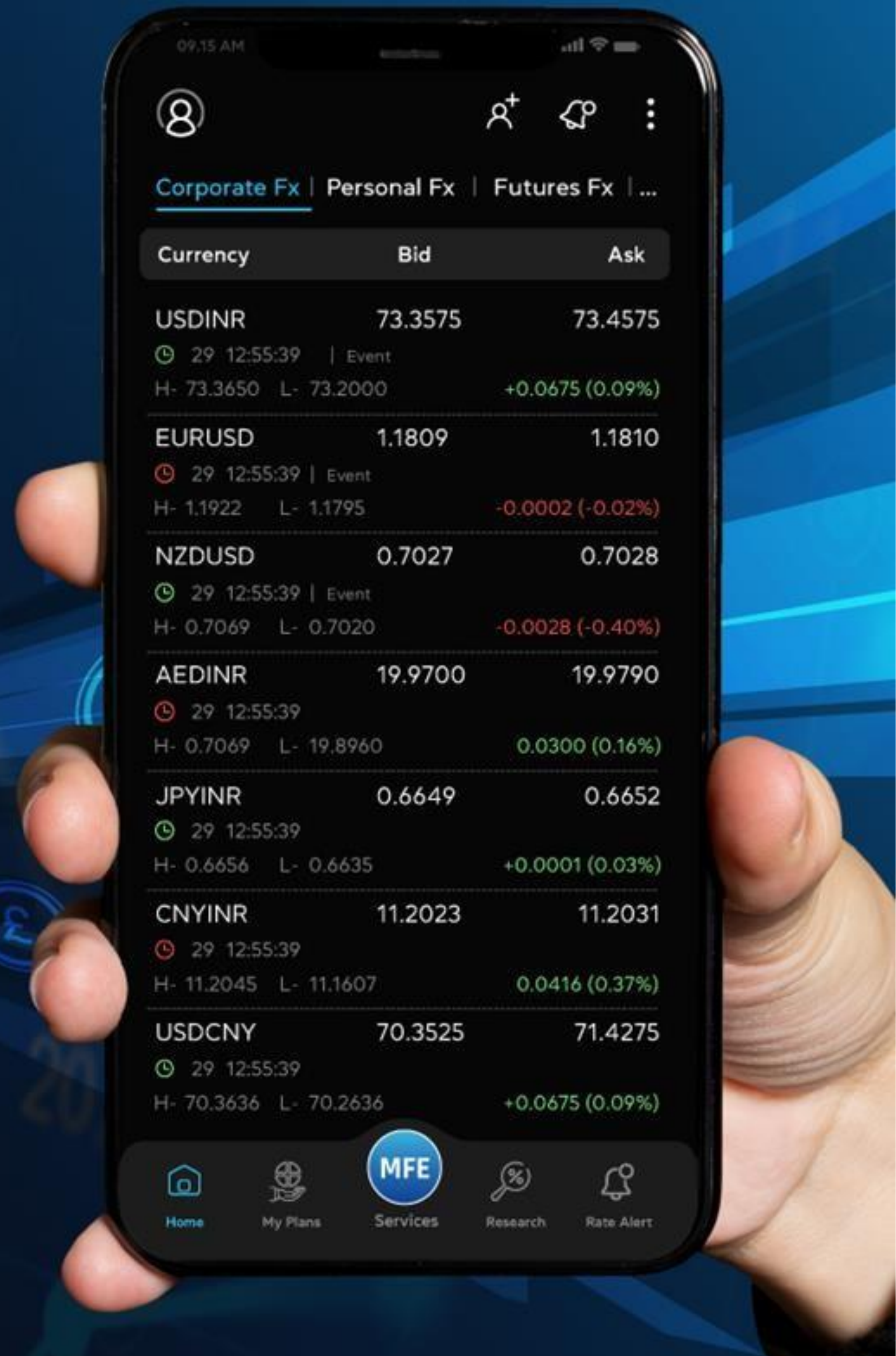

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