



Forex Market **Insights**
Newsletter

Volume 32 → Oct 17-21, 2022

Key Takeaway Summaries

₹ INR

After the 1st choppy session on Monday, the pair traded with a volatility of 20-25 paise.

€ EUR

ECB is treating quantitative tightening with a lot more skepticism than the Fed.

£ GBP

GBP bulls standing in the light of rising US inflation and more aggressive Fed rate hike bets.

¥ JPY

Drastic action to stop the yen's bleeding seems to have had a very short shelf life.

Welcome

Dear Members,

The dollar accelerated its journey against Japanese yen, hitting a fresh 32-year peak of 148.86, its highest levels since 1990. On the data front, the US government released CPI data for September last Thursday. The core CPI, which excludes food and energy, increased 6.6% from a year ago, which is the highest core inflation reading since 1982 keeps pressure on FOMC to be aggressive.

UK data offered increasing signs of a slowing economy, though August GDP surprisingly dipped 0.3% mom and services activity slid 0.1%, while industrial output dropped 1.8%. With GDP likely to fall further in September, the UK economy is on course to contract for Q3 as a whole. GDP data was not the only sign of softness, as labour market figures showed a decline in employment for the June-August period.

In the coming week, Industrial Production, Existing Home Sales from US and China's GDP numbers and CPI numbers from UK are awaited. WTI futures resumed their downward trend in the end of the week, after having peaked at US\$ 93.58 on Monday. The US oil benchmark is retracing gains from Thursday's rebound testing 10-days low at US\$ 85.50. Recession fears are weighing on crude prices.

Regards

Mr Vijay Gauba
Additional Director General
Trade Promotion Council of India

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Events to WATCH

Oct 17 18:50
Trade Balance

Oct 21 17:00
Deposit Growth

Oct 21 17:00
FX Reserves, US\$

US\$/INR started the week under pressure at 82.6350 (10-Oct) and made an all-time high at 82.6825 on the same day but RBI intervention led the pair to correct almost (25-30) paisa and settled the day at 82.32. After the first choppy session on Monday, the pair almost traded with a volatility of (20-25) paisa for the remaining days of the week. Oil prices dragged nearly 3% on Friday as global recession fears and slow oil demand, especially in China, outweighed support from a significant cut to the OPEC+. After a major bounce in the equity market last week, the Indian market witnessed selling pressure amid mixed cues such as minutes from the US Fed and slightly above-expectation US inflation figure.



and 5-month high inflation in India at 7.41% also dampened the sentiment. US CPI (YoY) came at 8.2% which is fueling underlying inflation pressure, making it almost certain that the US Fed will deliver another 75-bps rate hike at the next policy meeting in Nov. During the week, FII sold equities worth Rs 9,941 crore, while DII invested Rs 7,030 crore in the market. Indian Fx reserves are slightly higher at 532.87B compared to the previous figure at 532.66. Important events in the next week for the US are Crude oil inventories & Initial jobless claims.

\$ USD

REPO RATE

3.25%

GDP

-0.6%

INFLATION

8.2%

UNEMPLOYMENT

3.5%

TRADE BALANCE

\$-67.398B

Events to WATCH

Oct 18, 18:45
Industrial
Production (YoY)
(Sep)

Oct 19, 18:00
Building Permits
(Sep)

Oct 19, 20:00
Crude Oil
Inventories

Oct 20, 18:00
Philadelphia Fed
Manufacturing
Index (Oct)

Oct 20, 18:00
Initial Jobless Claims

Oct 20, 19:30
Existing Home Sales
(Sep)



Barring a volatile session on Monday, when Rupee plunged to its all-time lows of 82.6825, the other 4 working days saw exceptionally range bound trading periods with a high low (82.4325 – 82.11) range of just 32 paise. With dollar index close to its multi-year peaks and weak Asian currencies, pressure on Rupee was natural.

At a time when geo-political concerns and hyper-inflation/recession worries are dominating global financial markets, making a technical assessment can be extremely challenging. There are 2 large price up-gaps in this recent dollar rally since mid-September: 79.99 – 80.28 (21-22 September) and 81.905 - 82.17 (6-7 October), highlighted by blue and green horizontal lines respectively. Since the beginning of this year, multiple price gaps have been formed – some filled and some others yet to be filled up. Momentum indicators of RSI, MACD and Slow Stochastic are overbought since the last week of September.

There are slight traces of negative divergence in RSI and Slow Stochastic. My sense is that we are approaching a dollar top (no there yet but quite close). Exporters should continue on their path of maintaining adequate hedge ratios – do forwards and some vanilla options to capture upside market opportunity. Importers should use vanilla options to hedge – option premiums could be slightly higher than usual, but such turbulent times warrant usage of such instruments.

Events to WATCH

Oct 18, 14:30
ZEW Economic Sentiment (Oct)

Oct 19, 14:30
CPI (YoY) (Sep)

The EUR/US\$ pair was trading at about 0.9730 as the day comes to a close, remaining flat for the week. In general, volatility was low throughout the first half of the week as market participants awaited major US events. The various pronouncements sparked some erratic trading across financial boards but were unable to change the US\$ trend. Inflation that has gotten out of control also exists in Europe. Last Monday, Germany announced that annual inflation in the EU-harmonized measure increased by 10.9% in September. The European Central Bank (ECB), however, is treating quantitative tightening with a lot more scepticism than the Fed is. The US Consumer Price Index dropped by less than was predicted, and the Fed followed a similar

course. Europe is in disarray as relations with Russia grow and the number of COVID cases rise. The EUR/US\$ currency pair continued on its path to new yearly lows as the week came to a close.

EUR/US\$ topped at 0.9771 following the mixed macroeconomic data releases from the US. Retail Sales remained virtually unchanged in September wherein the 5-year Consumer Inflation Expectation of the UoM's survey shot up to 2.9% from 2.7%. Dollar gained as stocks slide, portraying a dismal mood. EUR/US\$ failed to make a four-hour close above 0.9800 despite having climbed above that level earlier in the day. Meanwhile, the RSI indicator stays near 50, suggesting that the pair is struggling to gather bullish momentum. If the pair manages to flip 0.9800 into support, it could extend its rebound toward 0.9840 of Fibonacci 50% retracement of the latest downtrend, 0.9880 of 200-period Simple Moving Average, and Fibonacci 61.8% retracement is at 0.9900 which is the psychological level. On the downside, 0.9750 of Fibonacci 23.6% retracement, 100-period SMA aligns as key support. In case bulls fail to defend that level, additional losses toward 0.9730 as per 20-period Simple Moving Average, wherein 0.9680 is the static level and after 0.9630 of October 13 low could be witnessed.



Events to WATCH

Oct 19, 11:30
CPI (YoY) (Sep)

Oct 21, 11:30
Retail Sales (MoM) (Sep)

The GBP/US\$ pair experienced another dramatic week as concerns about UK fiscal and monetary policy managed to keep GBP bulls standing in the light of rising US inflation and more aggressive Fed rate hike bets. GBP/US\$ made a strong recovery despite the uncertainties surrounding the UK's fiscal and monetary policies, tracking the Gilt rates upward amid a collapse in the UK bond market. Although risk aversion remained at full force amid rising geopolitical tensions between Russia and Ukraine due to which the pair had a difficult start to the week, extending the prior sell-off. While the central bank indicated on Tuesday that it plans to buy index-linked Gilts, the pair is still having trouble recovering. Prior to the release of the UK GDP data on Wednesday, GBP sellers stretched their muscles and dropped the pair to its lowest point in two weeks, close to 1.0920. The pair lost momentum on the last day of the BOE's bond buying this week amid political unrest, as the Gilt yields fell and the dollar bounced back on the bids. Kwasi Kwarteng was dismissed by British Prime Minister Liz Truss, who replaced him with Jeremy Hunt. Key events for the upcoming week are CPI (YoY) (Sep) and Retail Sales (MoM) (Sep).



Sterling surprisingly registered a week of gains versus dollar as the UK dealt with a host of issues, in particular the continued disconnect between Fiscal and monetary policy. At this point, market participants could look to dump pound again as there is a rough winter for United Kingdom ahead and Federal Reserve remains very tight with its monetary policy and therefore the US currency has been strong in general but anything is possible in the helter-skelter world of UK policy-making due to their political unrest. It indicates how unpredictable and chaotic the bond market ever since the Chancellor of the Kwasi Kwarteng announced a package of unfunded tax cuts. Pair could test the levels of 1.09 again as on chart support is there while on the upside we might see a near term move towards 1.15 around 50 days moving average. On a daily time frame momentum indicator RSI and MACD trading in a neutral zone.

¥ JPY

REPO RATE

-0.10%

GDP

0.9%

INFLATION

3.0%

UNEMPLOYMENT

2.5%

TRADE BALANCE

¥ -2817B

Events to WATCH

Oct 17, 10:00
Industrial
Production
(MoM) (Aug)

Oct 20, 05:20
Trade Balance
(Sep)

Oct 21, 05:00
National Core
CPI (YoY) (Sep)



The US\$/JPY started the week at 145.382 and the daily chart shows an upward trend throughout the week. The focus will be on the next psychological 150 mark as it already touched the new 24-year high of 148.862. We may expect the pair to move into a hawkish consolidation phase and the correction could touch the bottom at the 50-day Moving Average of 142.08. The focus will be on the doubtful support level of 140.350. The MACD line and signal line have created the divergence and the gap seems to be broadened as both the lines are in an upward trend. The pair ended the week at 148.758 showing price behavior is upwardly extended. The Relative Strength Index is in an upward direction above its 7-day RSI's simple moving average indicating bullish sentiment.

The US dollar has surged 2.32% higher against the Japanese yen this week and breached the 148 mark. After utilizing 15% of the bank's foreign exchange reserves, the BoJ appears to have conceded that they can only do so much to reduce the rate of increase after members of the bank repeatedly expressed their wish to keep interest rates low in the market. The drastic action taken in September by the Japanese Ministry of Finance to stop the yen's bleeding seems to have had a very short shelf life, as the yen has fallen to new 24-year lows. It is unusual for a large economy to have a currency losing 30% of its value in a year, but it is unlikely that the Japanese can do much about it. They must either accept higher interest rates or watch the value of the Japanese yen decline. It is quite clear that Fed will continue to be hawkish, yet Investors will focus on market reaction after US Initial Jobless Claims data along with Existing Home Sales (Sep) numbers in the coming week.





BLOG

Facts About Forex Trading

When a new person begins forex trading, there are certain important aspects that you need to know in order to start on the right foot. These aspects go on important know-how of the trading to give you a jumpstart before you begin an investment.

The first and the most important factor about forex markets is that it is liquid and operates 5 days a week from Monday till Friday, 24 hours and you can participate from any country or part of the world.

Out of all the points to remember, always know that you can only trade currencies in pairs i.e. if you plan on buying one currency, you need to sell out another.

Almost all countries have their currencies and the nature of exchange rates determines the result. The currencies are either floating in nature or pegged. Floating ones can change anytime, based on the circumstances and the demand or supply for own or other currencies, whereas the pegged ones are usually fixed in nature.

Every time you begin trading, you should know

Beginners Guide To Forex Trading

that the first currency is known as the base currency and the second one is known as the quote currency.

The roots of forex exchange are date back to 260 BC. In the initial days, the concept of over-the-counter trading was not a popular medium and so the trading was mainly done by banks and other financial institutions.

Beginners Tips

The first and the most important tip is to always stay updated about the different updates in the currency market, the country economies, and much more to always value the base currency in a good equation with the quote currency.

Always spend your time smartly by preparing a risk management plan in advance as the more appropriately you invest and plan your portfolio, the better and bigger the chances of your earnings. However, do not rush and trade big two on big as this might backfire.

Pace up your spending pattern by analyzing currency patterns and past performances as you need to

develop your trading strategy and for that, you require ample experiments to explore which ones stand out the best for your particular.

Never be limited to popular commercial currencies as they have the highest fluctuation rate. Invest in smaller ones to explore and understand the forex trading market before beginning as a full-time trader and earning big.

Lastly, always keep your emotions at bay when you enter forex trading as if you do not think practically, you might end up losing more than you plan on earning. The market is volatile and so focusing on the currency dips and raises as per the market trend is the best way to move forward..



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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%)

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