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TPC 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 US labor market is still hot and labor demand continues to run ahead of supply, resulting businesses remaining reluctant to shed employees. Along with hawkish comments from two Fed officials last week, the market forecasts for three more Fed rate hikes this year.

The data impacted some investors to begin tracking for more tightening. The DXY index hit a six-week high as traders ramped up challenges for Fed rate hikes. On the domestic front, US Treasury Secretary Janet Yellen will travel to India next week for G20 finance meetings that will pay attention on unblocking distressed-country debt restructuring, increasing support for Ukraine and improving multilateral development banks.

Last week, the US$/INR pair closed at 82.83 after touching a more than one-month low of 82.8975. Market participants believe that the RBI was seen to have been defending that level back in December.

Thank You

Vijay Kumar Gauba

Additional Director General

Trade Promotion Council of India

Key Takeaway Summaries

₹ INR

US$/INR touched a 1-month high this week. RBI was defending that level in Dec.

€ EUR

EUR/US$ finishes at 1.0694, down and at its lowest level since early January.

£ GBP

Sterling remained under pressure in the second half of the week amid higher expectation of US inflation.

¥ JPY

JPY is weakening across the board as path of monetary policy under new BoJ Governor remains uncertain

₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
6.50%	0.8%	6.52%	7.1%	$-17.75B

Events to WATCH

It was a dramatic week for the US$/INR pair as there were no. of data releases from the US which largely came out to be bullish for the dollar. For instance, US CPI (YoY) increased to 6.4% compared to the projection of 6.2%, Retail Sales (MoM) (Jan) outnumbered the forecast of 1.8% almost by 1.5 times to come at 3.0%, similarly, the Core Retail Sales (MoM) (Jan) also climbed at 2.3% which is more than 2 times the projected numbers of 0.8% and at last the Initial Jobless claims also came out in green at 194k. Surged inflation in the US indicates continuing the rate hikes by the Fed, two rate hikes are predicted of 25bps each in March and May.

This put the rupee under pressure throughout the week as it made a weekly high of 82.8975 on the 3rd trading session of the week, a level which was last seen on Jan 4th, in other words, we can also say that US$/INR made a 1-month high this week. The dollar appreciation can be easily seen through the prevailing dollar index strength over the week as after the inflation data was released the dollar index breached to trade above the 104-level. India's CPI (YoY) (Jan) also rose to 6.52% from the anticipated numbers of 5.90% whereas India's trade deficit saw a massive decline to -17.75B, the lowest in the year.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.75%	2.9%	6.4%	3.4%	$-67.419B

Events to WATCH

Feb 21, 20:30
Existing Home Sales (Jan)

Feb 23, 19:00
GDP (QoQ) (Q4)

Feb 23, 19:00
Initial Jobless Claims

Feb 23, 21:30
Crude Oil Inventories

The same old rangebound and sideways trade continued for the Indian Rupee this week with a high low range of a meagre 32 paise. Despite reasonably volatility in the dollar index and other Asian currencies, our beloved Rupee was rock solid and unmoved.

Nothing much has changed in the US$/INR candlestick chart from the previous week. Triple top formation continues to dominate the chart. Observe the previous US$/INR peaks of Oct'22 and Dec'22 at 83.29 and 82.94, highlighted by red horizontal lines. Triple top and the previous peaks tend to suggest that the region around 82.94 and 83.29 will be a stiff dollar resistance zone. Immediate support area is at 82.18 – 89-day Simple Moving Average. Medium term support is around 81 (neckline of the Triple top – orange dashed line) and 81.40 (144-day Simple Moving Average – green line). Momentum indicators of RSI, MACD and Slow Stochastics are just below the overbought line.

Since US$/INR is hovering just below a critical resistance zone, dollar exporters should continue to increase their hedge ratios. Notwithstanding lower forward premiums, simple forwards should be the preferred hedging instrument. Should also do some vanilla options to diversify risk. Dollar importers have two choices: either hold for a Rupee recovery towards 81.40 to start hedging using forwards, or doing vanilla options now. Since Rupee has been rangebound for a while, vanilla option cost will be quite economical.

EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.0%	0.1%	8.5%	6.6%	€-08.753B

Events to WATCH

Feb 21, 14:30
Services PMI (Feb)

Feb 21, 14:30
S&P Global Composite PMI (Feb)

Feb 21, 15:30
ZEW Economic Sentiment (Feb)

Feb 23, 15:30
CPI (YoY) (Jan)

The EURUS$ pair finishes at 1.0694, down for a third week in a row and at its lowest level since early January. Concerns that the United States Federal Reserve (Fed) would continue tightening monetary policy in the face of inflation dropping more slowly than expected helped the US Dollar extend its surge. The US Consumer Price Index (CPI), inflation in January increased at an annualized rate of 6.4%, which is higher than the 6.2% forecast and hardly slowed down from the previous 6.5%. Moreover, the Producer Price Index (PPI) increased by 6% within the same time period, exceeding the financial markets' forecast of 5.4% growth, giving bulls to the greenback and Dollar index touched 104 this week. Comments from, Loretta Mester was the tipping point that gave the dollar bulls. The speech suggested that the Federal Reserve still has to do more to reduce inflation. S&P Global PMIs and the second estimate of the US Q4 GDP will be released the following week. German GDP for the fourth quarter will also be updated. The majority of market participants' attention will be focused on the comments made by Fed officials.

The shared currency last four four-hour candles ended below the 20 and the 50-period Simple Moving Averages. In addition, the Relative Strength Index (RSI) indicator dipped below 40, hovering to a movement of bearish momentum. The pair trades within the depreciating regression channel coming from the beginning of this month. The centre-point of that trend forms initial support at 1.0635 ahead of 1.0600 of psychological level and 1.0570 which is the static level. On the other side, 1.0660 former support, static level aligns as first resistance before 1.0700 of Fibonacci 61.8% retracement of the latest uptrend, 20-period SMA, 50-period SMA. Only a four-hour close below the latter could be seen as a significant enough bullish development and open the door for an extended rebound toward 1.0760 of Fibonacci 50% retracement.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.0%	0%	10.1%	3.7%	£-07.150B

Events to WATCH

Feb 21, 15:00
Manufacturing PMI

Feb 21, 15:00
Services PMI

Feb 21, 15:00
Composite PMI

Sterling remained under pressure in the second half of the week amid release of more than expectation of US inflation and hawkish comments from the Fed side aided dollar index to gain. Dallas Fed President stated that hot US inflation would keep the Fed on track for further rate hikes. Strong US retail sales and hot US PPI continued to strengthen the case for further Fed tightening. After declining to 1.1910 levels pair got a support due to dollar weakness and managed to close near 1.2035. Though US will remain close on Monday, it's an important week ahead for the pair as Manufacturing and Composite PMI is scheduled on Tuesday along with Services PMI from the UK side going ahead we have most critical FOMC meeting minutes and US Q4 GDP which is expected to remain same 2.9% while at the end Michigan consumer sentiment is set to release along with US New home sales.

The British currency rallied initially during the week but gave back gains mid-week due to some economic events. Sterling went near to 1.1910 levels and got a support there as 200 days moving average is there and bounced back towards 1.20 levels. Looking at charts bears could remain heavy in the upcoming weeks and might led the pair towards support levels of 1.1850 and next support is at 1.1750 while on the upside 1.2250 seems to be a good resistance while long term resistance remains near 1.2445-50. On the daily time frame momentum indicator MACD giving mixed signals and RSI hovering around 43 which is considered a neutral zone.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
-0.10%	-0.2%	4.0%	2.5%	¥ -1448B

Events to WATCH

Feb 21, 06:00
Services PMI

Feb 24, 05:00
National Core CPI (YoY) (Jan)

The US$/JPY continues its weekly uptrend on Friday, reaching a new YTD high. Continual US$ purchases provide support as the BoJ's policy course is uncertain. On the last day of the week, the US$/JPY pair gained significant positive traction, climbing to a nearly two-month high. The pair surpassed the psychological level of 135.00 and appeared poised to build on the recent upward trend seen over the last two weeks or so. However, the pair finished at 134.164. The Japanese yen (JPY) is weakening across the board as the path of monetary policy under new Bank of Japan (BoJ) Governor Kazuo Ueda remains uncertain. The US Dollar reaches a new six-week high amid expectations that the Federal Reserve will maintain its hawkish stance in the face of persistently high inflation. The Bank of Japan continues to struggle with interest rates, the US dollar is likely to continue to outperform the Japanese yen.

The US$/JPY opened at 131.428; traded upward and reached a 2-month higher at 135.118 level during the week with a 2.08% surge and closed at the 134.164 level. If the pair moves downward it could fall to 50-day Moving Average of 132.90 levels. The support must be at 129.803 level in case the pair depreciates. If the pair continues to move upward the resistance level must be at 135.118. The MACD line continued moving upward parallel to the signal line; and seems moving along with the signal line in the upward direction which may continue the divergence. The pair ended the month at a higher level compared to the previous week's close and the price behavior steered to trade in the upward trend. The Relative Strength Index continued moving upward to its 14-day RSI's simple moving average, indicating strength to the pair.

What Is Social Trading?

About Social Trading

So what exactly is social trading? Let us discuss in detail below to understand the meaning of social trading and how it positions itself in forex trading.

The concept of social trading is fairly easy to understand as it directly involves observing the behaviour of different forex traders and trading experts to analyse and understand their potential strategies for trading.

Once you get a hold of their trading strategies, you can then follow the same with the help of copy trading or mirror trading. There are multiple benefits attached to the concept of social trading as you do not require extremely high knowledge about forex markets to begin with.

Additionally, you also save money as you do not require any additional wealth managers. All you need is a trading account to begin social trading. The main principle behind social trading is to have the ability to observe and mimic the investment patterns of different traders in the community.

Relevant And Accurate Information Accessibility

One of the most important benefits of social trading is that you learn about a range of different qualities strategies from other professional investors. This helps you not only gain the right knowledge but also stay well up to date at all times, which is highly beneficial to stay stable in the forex market. Moreover, you also get access to other crucial information limited to the investors alone, helping you get an edge over your peers of the same level.

Pool Of Strategies

Another very important benefit of social trading is the number of possibilities or outcomes you can predict and plan along for. As opposed to individual trading, in social trading, you come across a variety of strategies and predictions from other investors that can greatly align your strategy and help make better decisions.

Easier Initial Start

According to studies, social trading is one of the most convenient method to enter trading as it does not require too much experience to turn any trade into your advantage. This is because you are operating and predicting on the basis of the mirrored or copied strategies from other top investors that are known to be successful.

Conclusion

Given the complexities in the forex market, it is very important to have the right guidance and stay updated with current happenings and announcements.

This increasing demand from the new as well as existing forex traders is a prime reason behind the introduction of different online platforms that actively work towards keeping you in check about all the market updates.

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