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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

Volume 60 → Apr 9 to Apr 15, 2023

Welcome

Dear Stakeholders,

The week was holiday-shortened as most markets were closed for some native and global holidays. But the global market still had some surprises to give by starting the week with a sudden oil output cut by OPEC+ and rising oil prices. When the Labor Department reported on Tuesday that job postings decreased far more than anticipated in February, recession worries in the US worsened, and expectations for lower interest rates appeared. This is happening when the banking industry is considering tightening the requirements for bank lending, which would put more downward pressure on consumers and businesses.

In the holiday truncated week when rupee traded just 3 days, it was primarily rupee appreciation bias. Weak dollar index and large inflows from a renowned Indian corporate were primary contributors to the appreciation.

Chinese stocks rose as investor confidence was boosted by a rebound in service activity and the real estate market. Japan stocks declined this week as investors reacted to Japan's recent declaration of export limits on some types of semiconductor manufacturing equipment. In contrast to the weaker dollar, the yen gained strength, rising to roughly JPY 131.3 from JPY 132.8 the previous week as sluggish U.S. data.

As worries about a banking catastrophe decreased, shares in Europe increased. As a result of the publication of the US jobs report on Thursday, the EUR/US$ dropped from the area of 1.0915 to 1.0880, marking its lowest point since Monday. The results mainly met predictions, strengthening the US dollar all around.

Thank You
Vijay Kumar Gauba
Additional Director General
Trade Promotion Council of India

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Key Takeaway Summaries

₹ INR

The rupee strengthened against the US dollar at its closing on Thursday at 81.89 before heading to the Good Friday weekend.

€ EUR

EUR/US$ moved higher and marked its highest weekly finish in a year at 1.0898, as it was supported by hawkish comments of ECB's Knot.

£ GBP

The 10-year US yield increased by more than 1%, which strengthened the US$, causing the GBP/US$ to fall, and ended the week in red.

¥ JPY

US$/JPY began the week at 133.35 and reached a high of 133.45 after US Treasury yields stabilized.

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₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
6.50%	0.8%	6.44%	7.8%	$-17.43B

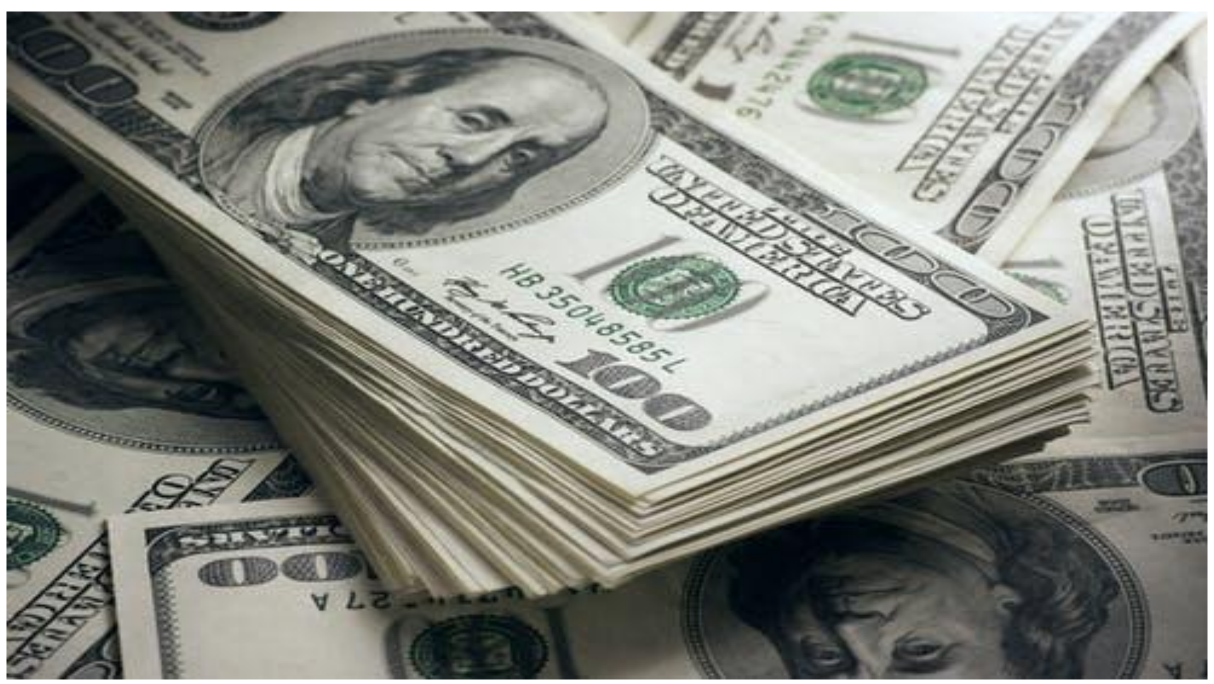
Events to WATCH

Apr 12, 17:30
Industrial Production (YoY) (Feb)

Apr 12, 17:30
CPI (YoY) (Mar)

Apr 12, 17:30
Manufacturing Output (MoM) (Feb)

The Indian rupee had a surprise-filled, three-day holiday-shortened week. Rupee was able to strengthen against the US dollar at its closing on Thursday at 81.89 before heading to the Good Friday weekend in contrast to its opening at 82.46 on Monday morning. The rupee witnessed a fall at the start of the week when OPEC+ posted about a sudden output cut causing the oil prices to rise. This ended up putting pressure on Asian currencies, including the rupee. The US job opening data fell below 10 million in February for the first time since May 2021, causing the demand for dollar to fall. This somewhat showed that the rate hikes by the Federal Reserve were in play and that inflation might be heading south.



The possibility of another rate hike by the US Fed feels unlikely. Although sitting at an edge of 82, the US$/INR was able to make some gains as the RBI kept the repo rate unchanged in its monetary policy statement on Thursday. it was specifically mentioned that this decision is particularly for the current meeting. Keeping in mind the direction of market, a change in the decision can be taken in future.

Some important events in the upcoming week include CPI (YoY) (Mar), Core CPI (MoM) (Mar), CPI (MoM) (Mar), PPI (MoM) (Mar), and Retail Sales (MoM) (Mar).

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5%	2.6%	6%	3.5%	$-70.54B

Events to WATCH

Apr 12, 18:00
Core CPI (MoM) (Mar)

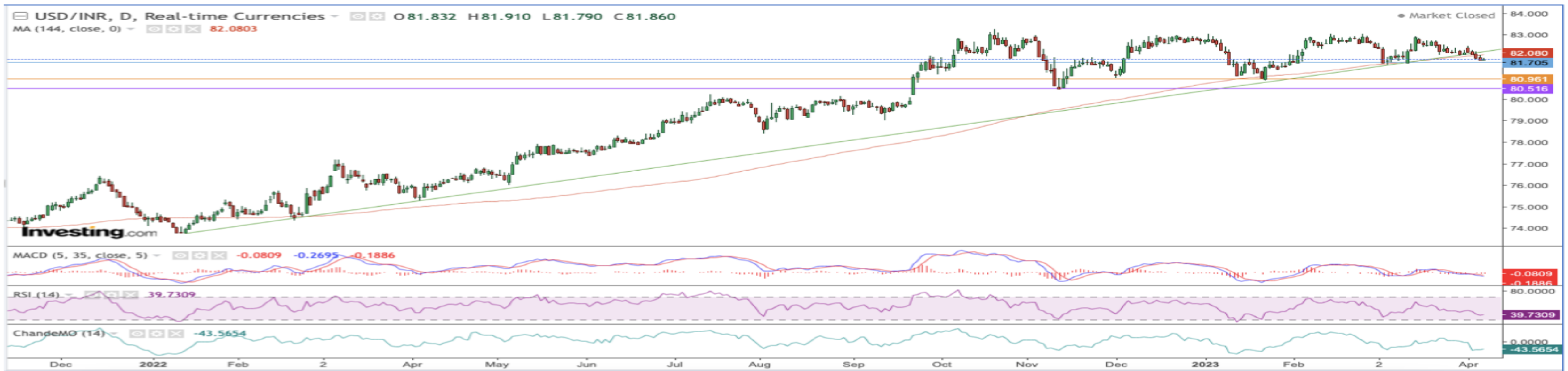
Apr 12, 18:00
CPI (MoM) (Mar)

Apr 12, 18:00
CPI (YoY) (Mar)

Apr 12, 20:00
Crude Oil Inventories

Apr 13, 18:00
PPI (MoM) (Mar)

Apr 13, 18:00
Initial Jobless Claims



In the holiday truncated week when rupee traded on just 3 days, it was primarily rupee appreciation bias. Weak dollar index and large inflows from a renowned Indian corporate were primary contributors. The Indian unit gained from 82.40-50 region to close the week at 81.89, breaking the 82 mark.

On analyzing US$/INR daily candlestick chart for further clues. Observe the upward moving green support trendline connecting the US$/INR lows of Jan22, Feb22, Apr22, Jan23 and Mar23 – this week US$/INR broke and closed below this trendline. The 144-day Simple Moving Average (red line) is at 82.08 – do recall that this moving average had been an important indicator of dollar support. Since US$/INR has closed below the support trendline and moving average, it could have some more downside. There is a short-term support at 81.70, previous low (highlighted by blue horizontal line). The other two big support regions are 80.95 and 80.51 – highlighted by orange and purple lines respectively. Momentum indicators of MACD and RSI are gradually inching towards the oversold territory.

Our sense is that the Indian Rupee could gain a bit more. With US interest rates nearing its peak, don’t think dollar will have too much of an upside. This will favour the rupee. Dollar importers can start hedging for their short-term liabilities. Low forward premiums are an additional incentive to hedge. Use an optimum mix of forwards and vanilla options. Dollar exporters have had multiple opportunities to hedge and we are sure they are adequately hedged now. If under-hedged and mandated to hedge, use more of vanilla options and some forwards.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.5%	0.0%	6.9%	6.6%	€-30.600B

Events to WATCH

Apr 11, 14:30
Retail Sales (MoM) (Feb)

Apr 13, 11:30
German CPI (MoM) (Mar)

Apr 13, 11:30
German CPI (YoY) (Mar)

EUR/US$ gained for the third consecutive week and made a high of 1.0973 but eased a little towards the end. During the first trading day, the dollar got some support due to a rise in US treasury yields as the unexpected output cut by OPEC+, drove up the oil prices nearly by 6%, but a 3-year low manufacturing data led to fall of dollar. The dollar index hit its 9-week low of 101.45 and lower U.S. bond yields, boosting the upwards momentum of the Euro. U.S. JOLTS Job openings and ADP Non-farm Employment came lower to 145,000 than the expectation of 200,000 which indicated that the labor market in the U.S. is stable. U.S. NFP rose by 236000, against the market consensus of 240000. Following the release, US yields increased, strengthening the US$. US 10-year rates increased from 3.32% to 3.37%, the DXY also went over the 102 level. EUR/US$ moved higher and marked its highest weekly finish in a year at 1.0898, as it was supported by hawkish comments of ECB's Knot. Eurozone Retail Sales, Germany's CPI &PPI and FOMC'S last meeting minutes, Jobless Claims, and Retail Sales will be eyed for further cues.

It was a positive week for EUR/US$ as it opened at 1.0839 and gained around 1%. It made a 9-week high of 1. 0973. As per the daily chart frame of the pair, we can see the resistance level at 1.0929 level. The candle formation above the EMA 50 (blue) line, indicates the bullishness of the pair. As per the MACD Indicator, we can see the MACD (blue) line above the Signal (orange) line predicting the upward trend of the pair. And MACD above the zero levels indicates the strength of EUR/US$. The RSI 14 (purple) line moved downwards and crossed the signal(yellow) line, indicating the bearish trend of the pair in near future. Also, the RSI is at 58.58 level, which is considered to be a slightly overbought zone. A decline below 1.0880 should pave the way for the bearish correction to extend, most likely to the 1.0840 region. Gains above 1.0950 on the upside appear unlikely throughout the upcoming session.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.25%	0.1%	10.4%	3.7%	£-05.861B

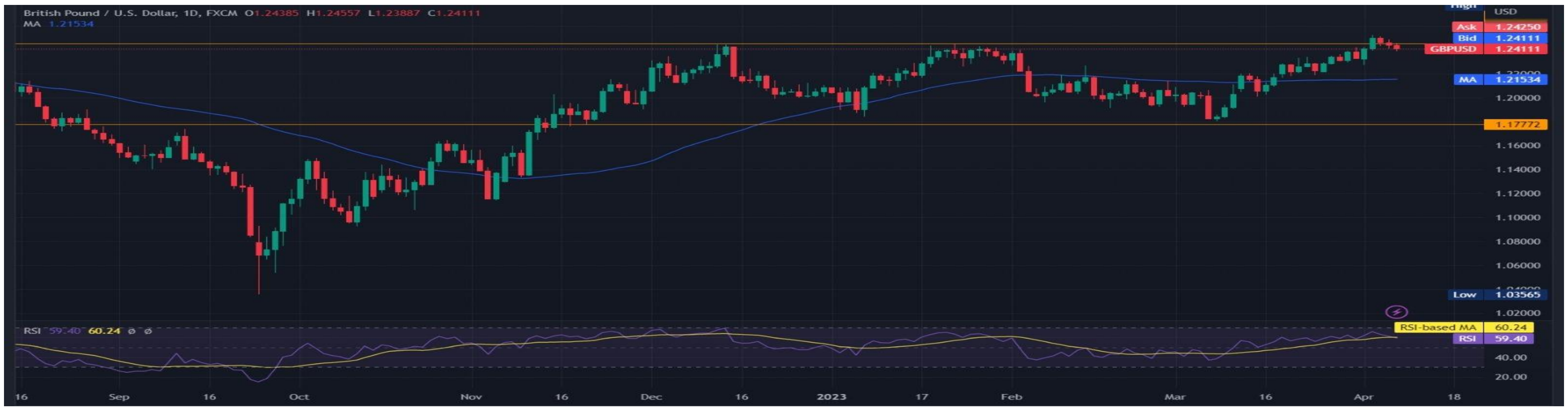
Events to WATCH

Apr 13, 11:30
Manufacturing Production (MoM) (Feb)

Apr 13, 11:30
Monthly GDP 3M/3M Change (Feb)

Apr 13, 11:30
GDP (MoM) (Feb)

The pair started the week on a positive note at 1.2325. During the first trading day, the dollar got some support due to a rise in US treasury yields as the unexpected output cut by OPEC+, drove up the oil prices nearly by 6%. However, the US ISM Manufacturing PMI data on Tuesday showed that the manufacturing activity dropped to its lowest point in over three years in March at 46.3. This caused the dollar to fall, as GBPUS$ staged a strong recovery and made the weekly high at 1.2525. The negative US JOLTS and ADP employment data showed the weakness in the US labor market. Due to inflation, it is expected that BOE may raise the interest rates by 25 bps next month. On Friday, Nonfarm Payrolls increased by 236,000 in March, compared to market expectations of 240,000, and the unemployment rate decreased to 3.5%. The 10-year US yield increased by more than 1%, which strengthened the US$, caused the GBPUS$ to fall, and ended the week in red. BOE and Fed monetary policy differences could come into play in a crucial week ahead for US inflation.



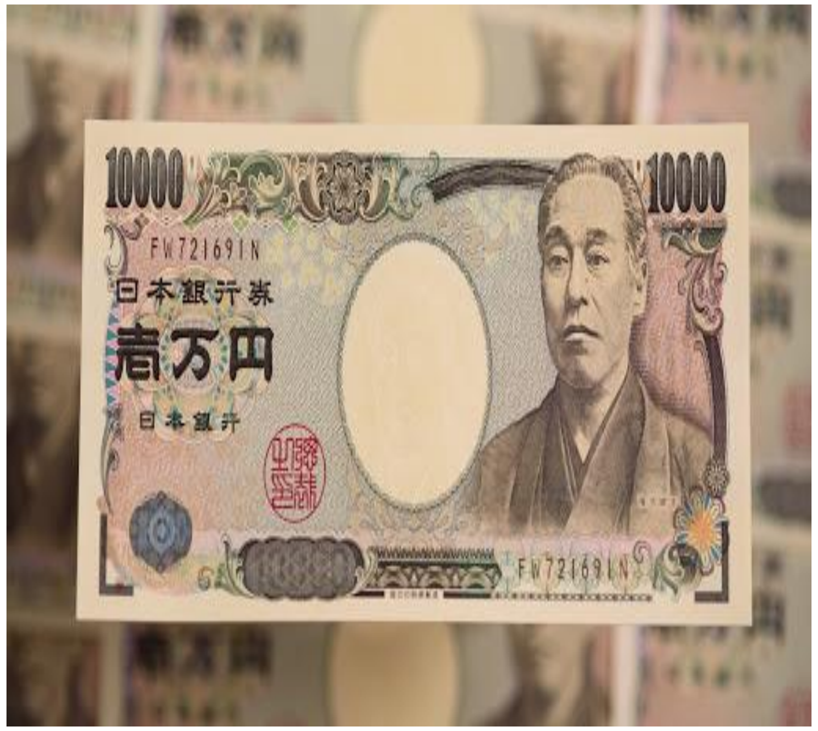
Again, bulls remained heavy on bears and this is the fourth straight week where GBPUS$ registered a gain as pair surpassed key resistance levels of 1.2425-30 during the week and also print 10 months high of 1.2525. Looking at the trend now pair is moving towards 1.2650 region which hit in May end last year while on the downside if correction happens weekly low of 1.2275 could play a role of support afterwards 50 days moving average is near 1.2150 region. On the daily time frame momentum indicator MACD giving mixed signals while RSI trading near to 60 levels which is considered to be an overbought zone, pullback is expected.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
-0.10%	0.0%	3.3%	2.6%	-¥-898B

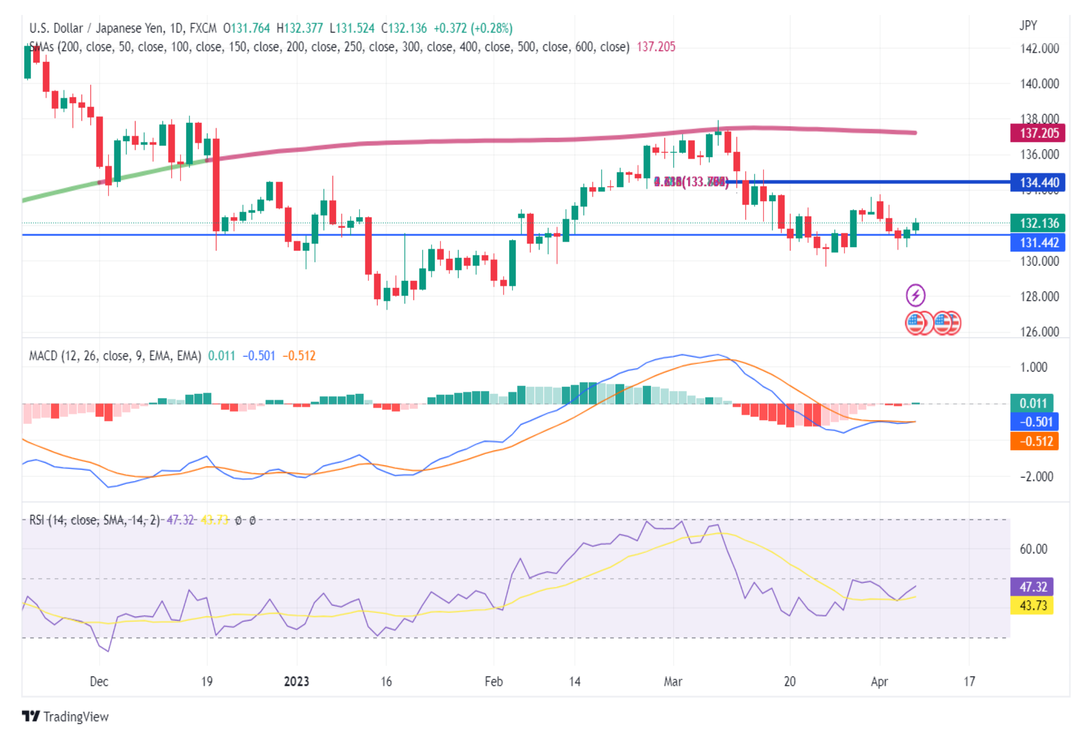
Events to WATCH

Apr 12, 05:20
PPI (YoY) (Mar)



US$/JPY began the week at 133.35 and reached a high of 133.45 after US Treasury yields stabilized, recovering from the selloff that occurred when the SVB Financial collapse became apparent. The yen gained consecutively in the subsequent two trading sessions, closing at 131.29, and reaching a low of 130.62 as the US$ losses were caused by negative yields on US Treasury bonds, pessimistic concerns about the Fed's next move, and the US Dollar's reserve position later ought to affect the US$/JPY pair. The pair managed to move in the direction of reversing the gains from the previous week despite negative yields on Treasury bonds. The expectation that the BOJ and the US Fed will have different monetary policies appeared to be weighing on the Yen pair. The pair closed the week at 132.13, making a high of 132.37. The US Nonfarm Payrolls report showed that the labor market continued to slow but fell short of expectations, causing the US$JPY to rise sharply. Haruhiko Kuroda, the lead representative for the BOJ, also stated that Japan is experiencing a widening pattern in which compensation is reflecting rising expansion.

The US$/JPY opened at the 133.35 level, following two trading sessions making a low of 130.62. During the week of trading, the US dollar initially fell to the Yen 131 level, which is a large, round, and psychologically significant area where we have previously encountered support. The MACD is trading lower and touching the signal line, indicating that the pair is bearish and may be heading in the direction of an upward trend in the near future. In the whole week, the red candlestick's formation indicated the pair's weakness. In the initial week of trading, the 14-DAY RSI traded down to the signal line, indicating the pair's weakness. Midway through the week, the RSI touched the signal line and moved upward, indicating that the pair is bullish on the outlook for the future. By closing at 132.13, in contrast to its previous close of 132.72, the pair reached its first-week low of 130.62. If the pair falls below the crucial 130 level, it is possible that it will fall to the 127.50 level, the market will undoubtedly plunge significantly from there if we break below that level.



BLOG

Rethinking Trade &Finance- Digital Disruptions In India

The financial sector in India is undergoing rapid expansion both in terms of strong growth of the existing financial services firms and the new entities entering the market. Trends such as digital payment, Robo Trading, AI are few of the developments in the financial sector that is helping financial institutions offer innovative solutions to the businesses.

Growth of FinTech Revolution in India

1.Contributive Growth Environment

The stakeholders are interested in driving cashless/ digital transactions for financial inclusion as well as control. The speed of broadband/telecom provides a platform for financial services delivery with low delivery costs and higher outreach.

2.Rising Investments

There has been a significant increase in FinTech start-ups in India over the last few years, primarily in the payments space (driven by regulatory changes and market demand).

Besides, there is an increased willingness by domestic as well as international VCs/PEs and incubators to heavily invest in this sector in India.

3.Responsive Marketplace

Globally, the FinTech start-ups are disrupting the business models of existing financial service players. In India, the stakeholders are adopting a range of strategies to deal with the risks and opportunities afforded by FinTech revolution. These include strategic partnerships that provide the FinTech firm with access to bank clients and infrastructure to acquire clients.

Development of FinTech Companies in India

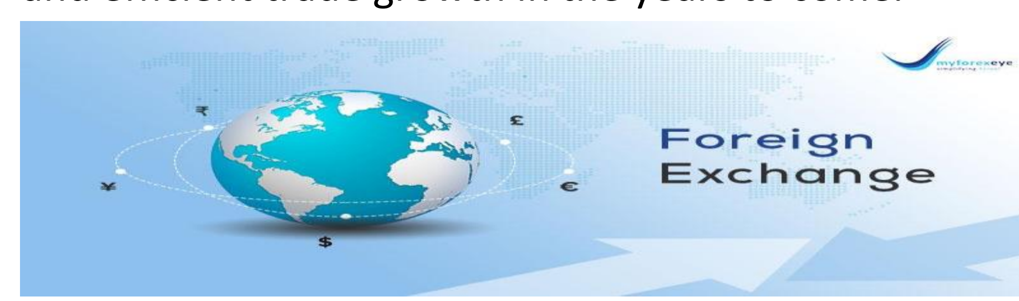
India is considered as a hotbed for FinTech innovations. These companies are creating tech-enabled platforms that make delivery of information swift and record-keeping of valuable data in a systematic format. The basic principle of almost all the emerging Fintech companies is to offer faster and transparent dealings, which perhaps was, one of the missing blocks in the financial world.

FinTech companies are able to move faster and develop solutions that compete directly with traditional methods of delivering financial services. Financial service firms are now faced with a choice whether to build their capabilities or seek out FinTech partners to help drive innovative initiatives as the cost of customer acquisition and overcoming regulatory hurdles have become an expensive area.

Where banks on the one side continue to sell their financial services based on trust, the FinTech companies on the other side have the advantage in terms of speed, agility and the capacity to quickly build customer experience by understanding their pain points. Businesses in the International trade sector mainly the MSMEs faced much neglect in terms of gaining adequate guidance in availing right credit solution at the right time. Banks seldom advise the **Micro, Small and Medium Enterprises (MSMEs)** about cost reduction initiatives.

Bottom Line

With advancements in technologies and as we move towards open-account trade, e-filling of exports and imports – digitization is fast changing the operational structure of trade finance in India. Among uncertainties, we are optimistic that technological innovations can indeed offer an exciting future for international trade landscape. However, change in the right direction is only possible with the right governing approach which helps the innovations to tap inclusive and efficient trade growth in the years to come.



Contact Details

Gaurav/Prabjeet
8860663372/8860646603
advisory@myforexeye.com

Asjad Husain
9718944490
Researchdesk1@tpci.in