



# Forex Market **Insights** Newsletter

Volume 123 → July 6 to July 12, 2024

# Welcome

Dear Stakeholders,

We have been closely monitoring our economic landscape. This past week, despite the holiday, we saw significant economic data. June's nonfarm payrolls increased by 206K, but previous months' revisions dampened the impact. Unemployment rose slightly to 4.1%, the highest since late 2021. The US Dollar weakened, ending around 105.00.

Looking ahead, the New York Fed will release its Consumer Inflation Expectations on July 8, followed by Chair J. Powell's testimony before Congress on July 9. Key data including MBA Mortgage Applications, Wholesale Inventories, the Inflation Rate, and Initial Jobless Claims will be released from July 10 to 11. Producer Prices and the Michigan Consumer Sentiment are due on July 12.

EURUS\$ surpassed the 1.0800 mark. We'll be watching the Sentix Index and German trade data. For the UK, GBPUS\$ exceeded 1.2800, influenced by recent election results. Key economic indicators are due next week. The US\$JPY pair reached new heights, closing at around 162.00. Japan's economic releases for the week include Producer Prices and Machinery Orders. We expect market volatility to continue. We're particularly focused on inflation trends and central bank policies, which will likely shape currency movements in the coming months.

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

## CONTENTS

INR 2

US\$ 3

EUR 4

GBP 5

JPY 6

BLOG 7

## Key Takeaway Summaries

₹ INR

The Indian statistics ministry recently revised the GDP growth forecast upwards from 7.3% to 7.6%.

€ EUR

The lower-than-expected US labor market data drove the EUR to an almost three-week high above the 1.0830 level.

£ GBP

The UK Labor Party's expected victory had little impact on the pair. However, further upside for GBP appears limited as the BoE is anticipated to begin its rate-cut cycle in August.

¥ JPY

Japan's Softer PMI & Spending data released, have weighed on the yen and heightened market concerns about economic recovery.

## Events to WATCH

July 12, 17:00

Bank Loan Growth

July 12, 17:00

Deposit Growth

July 12, 17:00

FX Reserves, US\$

July 12, 17:30

CPI (YoY) (Jun)

July 12, 17:30

Manufacturing Output (MoM) (May)

July 12, 17:30

Industrial Production (YoY) (May)

The US\$INR pair remained within a narrow range of 83.35 to 83.55 this week, with no major fluctuations. The US economy showed signs of easing inflationary pressure as most of the economic data released during the week came in weaker than expected, increasing the likelihood of a rate cut by the Federal Reserve in upcoming meetings. The Fed CME watch tool indicated that the probability of a rate cut had risen to 75%, up from 57% a week ago. The Dollar Index fell consistently across all five trading sessions, dropping about 1% to end the week at 104.875. This dollar weakness was further supported by dovish comments from Fed Chair Jerome Powell, who acknowledged progress in reducing inflationary pressure and affirmed that the US economy is on a disinflationary path until the 2% target is met.



Although Powell did not specify the timing of potential rate cuts, he noted that the Fed is at a critical planning stage, with risks to its employment and inflation targets becoming more balanced. As a result, neither factor will dominate policy decisions. US bond yields also fell significantly, with the 2-year yield dropping 15 basis points to 4.60% and the 10-year yield falling 12 basis points to 4.28%. In India, following last month's general election results, economists cited by the Wall Street Journal are optimistic about the country's stock market performance over the next decade, driven by confidence in its growth potential. The Indian statistics ministry recently revised the GDP growth forecast upwards from 7.3% to 7.6%. These strong domestic economic fundamentals and the increasing likelihood of a US rate cut are expected to cap the gains in the US\$INR pair, preventing further rupee weakening.

## Events to WATCH

July 09, 12:30  
Consumer Credit  
(May)

July 10, 02:00  
API Weekly Crude Oil  
Stock

July 10, 20:00  
Crude Oil Inventories

July 11, 18:00  
CPI (MoM) (Jun)

July 11, 18:00  
CPI (YoY) (Jun)

July 11, 18:00  
Core CPI (MoM) (Jun)

July 11, 18:00  
Initial Jobless Claims

July 12, 18:00  
PPI (MoM) (Jun)



The US\$INR pair continues to trade in the same old range of 83.35 to 83.55. The US\$INR pair started the week down at 83.38 but strengthened to close a higher at 83.485 after testing its weekly high at 83.56 continuously for 3 trading sessions.

On the daily chart, the pair shows bullish momentum as it trades above the 100-day EMA (blue line). However, the 14-day Relative Strength Index (RSI) is hovering around the 50-midline, indicating potential consolidation. The initial short-term support is at 83.30, aligning with the 100-day EMA, while the next strong support is at the round figure of 83.00. The previously identified resistance zone at 83.60-83.65 remains robust, and breaking past this level could lead the pair to a new all-time high.

The pair has been moving within a tight range of 10-12 paise, indicating stability and providing few hedging opportunities for importers. Importers are advised to take advantage of slight declines of 15-20 paise near support levels for short-term payments. Exporters, on the other hand, have had plenty of chances to hedge and should aim for a hedge ratio of about 50-60%. It is recommended to use a combination of forwards and options for hedging exposures.

## Events to WATCH

July 08, 11:30

German Imports (MoM) (May)

July 08, 11:30

German Trade Balance (May)

July 08, 11:30

German Exports (MoM) (May)

July 11, 11:30

German CPI (MoM) (Jun)

July 11, 11:30

German CPI (YoY) (Jun)

July 12, 11:30

German WPI (MoM) (Jun)

July 12, 11:30

German WPI (YoY) (Jun)

This week, the EURUS\$ pair faces significant volatility, driven by crucial events in Europe and the United States. Whereas, recent dovish signals from the Fed amid disappointing economic data have heightened expectations of rate cuts from 65% to 77%, potentially impacting the dollar's performance against the euro. The lower-than-expected US labor market data showing increased unemployment in the US economy drove the EUR to an almost three-week high above the 1.0830 level. However, uncertainties regarding government stability or the possibility of a hung parliament could limit sustained gains. In the US, all eyes will be on Federal Reserve Chair Powell's statement before the Senate Banking Committee, where markets seek clarity on the Fed's monetary policy stance. Despite recent hints of a dovish turn, uncertainty persists regarding the timing and extent of interest rate cuts following disappointing economic data. Market participants expecting this environment should remain cautious, focusing on geopolitical developments and central bank's outlook as key drivers shaping the pair's direction throughout the week. Moreover, the upcoming second round of the French election, featuring the far-right National Rally against the left-wing New Popular Front, holds significant implications for the euro's strength.



The EURUS\$ pair commenced the week at 1.0743, with bullish momentum driving it to close at 1.0838. This movement indicates an attempt to break the month-long trading range of 1.0700-1.0800. US labor market data released on Friday showed signs of cooling, with increased unemployment and stable hourly earnings. This has created some uncertainty in the market, contributing to the pair's recent behavior. Looking ahead, a break below last week's low could push the pair down to 1.0650, potentially reverting to the previous trading range. Conversely, if the EURUS\$ surpasses the 1.0850 resistance, it may climb towards 1.0900, with the 50-week EMA at 1.0800 becoming a support level. This week's activity underscores the critical levels to monitor for potential breakouts in the upcoming sessions. The EURUS\$'s performance will likely be influenced by ongoing economic data and market sentiment, highlighting the importance of these key thresholds.

## Events to WATCH

July 09, 04:31

BRC Retail Sales Monitor (YoY) (Jun)

July 11, 11:30

Industrial Production (MoM) (May)

July 11, 11:30

Manufacturing Production (MoM) (May)

July 11, 11:30

Monthly GDP 3M/3M Change (May)

July 11, 11:30

GDP (YoY) (May)

July 11, 11:30

GDP (MoM) (May)

July 11, 11:30

Trade Balance (May)

It was a blockbuster week for the GBPUS\$ pair as it continued to gain for the second consecutive week.. The pair majorly benefitted from the weakness in the dollar index after dovish comments from Fed chair Powell, which suggested that the US inflation is cooling down. While the bearish labor data release, disappointing business activity, an unexpected contraction in sector activity and the US Average hourly earnings marking their lowest growth rate since the second quarter of 2021 led to further decline in the dollar index , which in turn benefitted the sterling. The Pound gained and made a 3.5 week high of 1.2817 after the release of US labor data on Friday that boosted the chances of Fed rate-cut in September meeting to 75% which were 64% a week ago. The UK Labor Party's expected landslide victory had little impact on the pair. However, further upside for GBPUS\$ appears limited as the BoE is anticipated to begin its rate-cut cycle in August. Market participants will closely watch UK GDP, US CPI, and BoE speeches for policy outlook cues now that the election blackout period has ended.



The GBPUS\$ pair continued its upward trend from the last week as it opened at 1.2646. The pair gained almost by 1.4% this week and reached a 3.5 week high of 1.2817. The buyer's interest in the pair is clearly visible as the pair is currently trading above the 100-day EMA (Blue line). The MACD Indicator shows that the MACD line is trading above the 0 line after the bullish crossover, suggesting a possible uptrend in the near-future. The near-term resistance can be seen at the 1.2825 level. If the pair breaches this level, the next resistance can be seen at 1.2862(orange line), preventing the further upside in the pair.

¥ JPY

REPO RATE

0.1%

GDP

-0.5%

INFLATION

2.8%

UNEMPLOYMENT

2.6%

TRADE BALANCE

¥ -1221B

Events to WATCH

July 08, 05:20

Adjusted Current Account (May)

July 08, 05:20

Current Account n.s.a. (May)

July 10, 05:20

PPI (MoM) (Jun)

July 10, 05:20

PPI (YoY) (Jun)

July 11, 05:20

Foreign Investments in Japanese Stocks

July 12, 10:00

Industrial Production (MoM) (May)

The US\$JPY pair's movement this week was heavily influenced by economic events. The recent decline in the yen, reaching its lowest levels since 1986, reflects ongoing divergence in monetary policies between the dovish Bank of Japan and the tightening stance of the US Federal Reserve. Meanwhile, Japan's Service PMI and Household Spending data, both below expectations as well as previous figures with PMI dropping to 49.4% and Household Spending declining by -0.3% MoM and -1.8% YoY, have weighed on the yen and heightened market concerns about economic recovery. Despite Japan's economic challenges, including stagnant GDP growth and persistently low inflation, the BOJ has signaled only symbolic interest rate hikes, contrasting sharply with the Fed's potential for rate cuts as indicated by weak US ISM Services PMI and labor market data. However, after the release of softer US labor data yen retreated gradually in the later part of the week from 161.95 to 160.70 level. Meanwhile, in the US, market focus remains on economic data releases, and particularly on upcoming Federal Reserve Chair Powell's remarks.



The US\$JPY pair began the week at 160.68 and reached a weekly high of 161.95 mid-week. Despite this rise, the pair remained below 162, a significant 38-year high. The market saw significant buying activity, with participants targeting potential sell-offs between 160 and 162. However, the pair's upward movement was constrained by falling US yields, keeping it within a narrow range and establishing 160 as short-term support. The upside potential remains limited by BoJ policies and ongoing market uncertainty regarding future actions. Technically, short-term pullbacks are expected to attract buyers, particularly around the ¥158 level. On the upside, current levels will be closely watched for potential new highs, which could turn into historical resistance for future predictions. This week's movements underscore the importance of monitoring key levels for potential breakouts or reversals in the coming sessions.



# BLOG

## How Forward Contracts Benefit Businesses?

Do you feel like your business is struggling when it comes to foreign currency exchange? Are you wanting a more reliable and straightforward solution for managing financial risks without bearing all the burden of existing unpredictable market economies? If so, forward contracts may be an ideal option for your business. Forward contracts can provide a simple and practical approach to hedging against currency fluctuations in today's ever-changing global marketplace.

### How Does a Forward Contract Work?

To truly grasp the utility of forward contracts, let's consider a practical scenario. Imagine your manufacturing business plans to purchase raw materials worth five million Euros from France over the next six months. You have budgeted for this transaction at an exchange rate of 1 CAD to 0.70 Euros. However, given the ongoing fluctuations in interest rates in Canada and their ripple effects on foreign exchange, you might decide to consult your financial institution for a Forward Contract.

This Forward Contract would empower you to buy and lock down five million Euros at the current exchange rate. Over the next six months, irrespective of how the Euro value fluctuates in the market, you can rest assured that your raw material costs remain consistent, safeguarding your profit margins. Similar scenarios can apply to businesses operating in the commodities market. A Forward Contract in this context allows you to enter into an agreement with your supplier to secure the purchase of raw materials at a predetermined price.

### Essential Elements of a Forward Contract

**Price:** Clearly specifying the price to be paid for the transaction and the currency in which it will be settled.

**Expiration Date:** Defining a delivery date for the commodities ordered and the contract's end date.

**Quantity:** Stating the number of units of commodities being sold or purchased, typically in terms of volume.

### How Do Forex Forward Contracts Protect My Business?

Forward contracts are a valuable asset for businesses that anticipate future payments or receipts in foreign currency. Here's how they can be a lifeline for your business:

**Protection Against Currency Fluctuations:** If your business involves selling products or services in a foreign currency, a forex forward contract can be your knight in shining armor. It empowers you to lock in the exchange rate, ensuring that even if the market takes an adverse turn, you'll still receive the agreed-upon amount for your products or services. This shield-like protection can be the difference between profit and loss in volatile markets. **Cost Savings:** When buying products or services in a foreign currency, a forex forward contract can be a source of significant savings. You lock in a fixed price for the currency, regardless of market rate fluctuations. This strategic move can lead to substantial cost reductions on your purchases.

**Risk Hedging:** For businesses deeply concerned about risk management, a forex forward contract acts as an effective hedge. It allows you to agree on a fixed price for the currency, shielding you from market rate volatility and potential financial losses.

**Enhanced Cash Flow Management:** Selling products or services in a foreign currency often translates into waiting for payments. This waiting game can pose cash flow challenges. A forex forward contract provides you with the ability to set the payment date, ensuring you receive funds when needed to keep your business running smoothly.

### Types of Forward Contracts Available

Businesses can choose from a range of forward contract types to suit their specific needs:

**Fixed Forwards:** Convert from one currency to another at a fixed date in the future.

**Window Forwards:** Exchange one currency for another between two specified future dates.

**Non-Deliverable Forwards:** Pay out the resulting profit or loss in cash when a fixed forward contract expires.





Exclusively for TPCI members:

# Complimentary Myforexeye application access

\*TILL MARCH 2025



Scan this QR  
To Get the  
Myforexeye APP

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%)		

THANK YOU



Mr. Ritik Bali

8860447723

[advisory@myforexeye.com](mailto:advisory@myforexeye.com)



Ms Aashima Sharma

8826337027

[aashima.sharma@tpci.in](mailto:aashima.sharma@tpci.in)