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TPC Trade Promotion Council of India

Forex Market Insights

Newsletter

Volume 128 → Aug 17 to Aug 23, 2024

Welcome

Dear Stakeholders,

I'd like to share my thoughts on recent financial market developments. This summer has seen significant market movements, driven by differing views on the US economy. Earlier concerns about high inflation have eased, with recent data showing core inflation aligning with the 2% target.

The focus has now turned to whether rate cuts are necessary to support the economy. July's unemployment increase to 4.3% sparked recession fears, leading markets to price in aggressive rate cuts. However, other indicators, like strong retail sales, suggest robust economic growth. The ECB may hold off on further cuts due to above-target inflation in the Eurozone. Global manufacturing's recovery seems to have slowed, particularly in China, where more stimulus might be needed.

Japan's surprise rate hike in July and strong Q2 GDP growth suggest further hikes are likely. The upcoming PMI data and Jackson Hole Symposium will be crucial in shaping market expectations and potentially easing recession concerns. In recent weeks, market volatility has eased, and expectations for rate cuts have moderated. Looking ahead, I believe that while rate cuts are on the horizon, they will be gradual and carefully considered, with economic data continuing to play a crucial role in shaping market expectations.

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

CONTENTS

Key Takeaway Summaries

₹ INR

Based on the most recent surveys conducted by the Reserve Bank of India (RBI), the Indian economy shrank in the second quarter and is predicted to stay that way.

€ EUR

Germany's ZEW Economic Sentiment showed a sharp decline in the index for both the country and the EU .

£ GBP

The bullish release of the UK labor market data, showed that the labor market is still tight and the slight increase in UK CPI, led to decline in the expectation of a further 25 bps BoE rate cut .

¥ JPY

The US$JPY pair has maintained levels above 145, reaching a two-week high of 149.38 toward the end of the week.

INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
6.50%	1.9%	3.54%	9.2%	$-23.5B

Events to WATCH

Aug 22, 10:30
Nikkei S&P Global Manufacturing PMI (Aug)

Aug 23, 17:00
Bank Loan Growth

Aug 23, 17:00
FX Reserves, US$

The narrow range continues for the US$INR pair, this week the range even squeezed to 8 paisa with the start and closing price remaining flat at 83.94 & 83.95, respectively. The dollar index about 1% this week to its 8-month low level of 102.27 as the PPI and CPI continues to decline to 0.1% and 2.9%, showing signs of cooling inflation and rising chances for a harsh landing in the US economy. However, the very next day after the release of US Retail Sales the picture flipped completely as the figures showed a significant gain from -0.2% to 1% which resulted in easing chances of recession in the world's largest economy thus, dodging a higher point rate cut. According to the Fed watch tool, probability for a 50bps rate cuts dropped to 25% whereas the probability for a 25bps rate cut climbed to 75%.

The Indian fundamental remains strong as the BSE Sensex and Nifty 50, two benchmark indices, ended the week higher by roughly 1.6% each as robust U.S. economic data erased concerns about a recession in the largest economy in the world and sparked a rally in global stocks. The recent trade deficit figure released shows that it continues to remain in the comfortable position around $23.50 billion. The Indian CPI surprised the markets by declining to 3.54% from 5.08% in the July month. Moreover, based on the most recent surveys conducted by the Reserve Bank of India (RBI), the Indian economy shrank in the second quarter and is predicted to stay that way. However, a rate cut by the RBI still seems unlikely. Thus, Fed rate cuts being priced in and Indian central bank maintaining their interest rates will fundamentally points towards Rupee gaining in the coming future.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.5%	2.8%	2.9%	4.3%	$-73.1B

Events to WATCH

Aug 21, 20:00
Crude Oil Inventories

Aug 21, 23:20
FOMC Meeting Minutes

Aug 22, 18:00
Initial Jobless Claims

Aug 22, 19:15
Manufacturing PMI (Aug)

Aug 22, 19:30
Existing Home Sales (Jul)

Aug 23, 19:30
New Home Sales (Jul)

The pair traded in a relatively narrow range of 8.25 Paisa after hitting a record low of 83.9725 last week due to pressure from withdrawals from domestic equities as well as elevated dollar demand from importers.

The US$INR pair is showing a strong long-term bullish trend, with the price consistently staying above the crucial 100-day Simple Moving Average (SMA) and within a 10-week-old ascending trend channel. The 14-day Relative Strength Index (RSI) is also above the midline, around 56.00, indicating continued buyer support. The 84.00 level is proving to be a significant resistance point for buyers, but if the pair breaks through, the next target is 84.24, the Non-Deliverable Forward (NDF) all-time high. On the downside, initial support is found at the lower boundary of the ascending channel, coinciding with the 21-day SMA. If the price drops further, the next support level is 83.48, where the 100-day SMA is located.

Given the pair's all-time high levels, exporters have a favorable opportunity, though it's recommended to hedge only 50-60% of their positions. Importers face challenges with the pair's continuous upward movement, and it's advisable for them to hedge even on small dips of 5-8 paisa for near-term payments. Using plain vanilla options for hedging is also suggested at this time.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.25%	0.3%	2.6%	6.5%	€22.335B

Events to WATCH

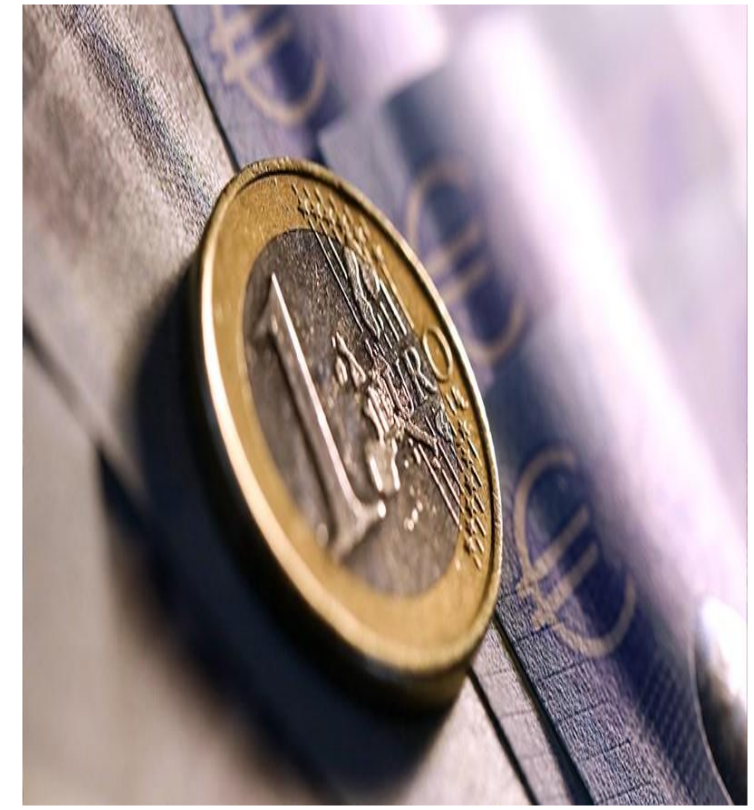
Aug 20, 14:30
CPI (YoY) (Jul)

Aug 22, 13:30
Services PMI (Aug)

Aug 22, 13:30
S&P Global Composite PMI (Aug)

Aug 22, 13:30
Manufacturing PMI (Aug)

The EURUS$ pair started the week on a positive note as it opened at 1.0910. The pair was affected by the release of US PPI. U.S. producer prices rose less than anticipated in July, as the cost of services experienced the largest decline in nearly 18 months. This suggests businesses are facing reduced pricing power, providing further evidence of easing inflation pressures and bolstering expectations for an interest rate cut next month. The CPI (YoY) data release further confirmed the signs of easing inflation, which led the pair to gain to 1.1047 levels. While the Eurozone continued to remain under pressure. Germany's ZEW Economic Sentiment showed a sharp decline in the index for both the country and the EU, with the current situation assessment worsening more than expected. The EU's second estimate of Q2 GDP confirmed a modest 0.3% growth, while Industrial Production fell by 0.1% MoM in June and dropped 3.9% YoY. The pair fell on Thursday after the US Retail sales data eased the worries of recession, but recovered its losses and ended the week higher at 1.1026 on dovish Fed comments. The ECB is expected to implement a 25 bps rate-cut in September and December due to recessionary fears.



The EURUS$ pair began the week on a strong footing above 1.0900, continuing its bullish momentum from the previous week. The pair managed to hold above 1.1000, reaching a weekly high of 1.1047. The decline in US CPI contributed to the formation of substantial green candles on the chart. A break below the 1.0900 level could push the pair down to the 1.0800-1.0850 range. Conversely, if the EURUS$ sustains above 1.1000 into next week, it could target 1.1100, with the 50-Week EMA at 1.0800 serving as key support. The pair's trajectory will be heavily influenced by ongoing economic data and market sentiment surrounding the Federal Reserve and Eurozone rate cut cycles. Traders should closely monitor these levels and remain vigilant to changes in economic indicators and broader market conditions, as they will be critical in determining the pair's future direction.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5%	0.6%	2.2%	4.2%	£-5.324B

Events to WATCH

Aug 22, 14:00
Composite PMI (Aug)

Aug 22, 14:00
Manufacturing PMI (Aug)

Aug 22, 14:00
Services PMI

It was a blockbuster weak for sterling as the pair gained this week post four consecutive weekly declines. The pair benefited from the divergence between both the central banks, BoE and Fed. The bullish release of the UK labor market data, showed that the labor market is still tight and the slight increase in UK CPI, led to decline in the expectation of a further 25 bps BoE rate cut . While the decline in the dollar index on the other hand further supported the pair. The US PPI and CPI data showed that the inflation is easing in the US economy that led to an increase in the Fed rate-cut expectations. The UK Retail sales data further provided boost to the pound, as the retail sales rebounded by 0.5%, after dropping almost by 1.2% in June. The overall economic data suggests that the inflation still remains persistent in the UK economy reducing chances of a BoE rate-cut and providing support to the sterling. Fed Chair Powell and BoE Governor Bailey's speech at Jackson Hole Symposium, alongwith the UK PMI and US Existing Home Sales data will be eyed for further cues.

The GBPUS$ pair snapped its four-week downtrend as it gained almost by a 1.5% this week and made a 4-week high of 1.2945. The pair is clearly visible as the pair breached the downward channel (yellow lines) on the upside, which suggest a possible uptrend in the near future. The MACD Indicator also shows a bullish cross-over with MACD line slightly above the significant zero line in the positive territory confirming the bullishness in the pair. If the pair continues to move upwards, it may face resistance at the significant 1.3044 levels previous high, preventing further upside in the pair.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
0.25%	0.8%	2.8%	2.5%	¥ 224B

Events to WATCH

Aug 21, 05:20
Trade Balance (Jul)

Aug 21, 05:20
Imports (YoY) (Jul)

Aug 21, 05:20
Exports (YoY) (Jul)

Aug 22, 06:00
Manufacturing PMI (Aug)

Aug 22, 06:00
Services PMI (Aug)

Aug 23, 05:00
National Core CPI (YoY) (Jul)

The US$JPY pair traded higher this week, with the yen's earlier gains from the unwinding of carry trades being reversed. The Bank of Japan's continued dovish stance, with no clear indication of future rate hikes, has contributed to the yen's weakness. Meanwhile, the U.S. economy appears resilient, with recession fears fading, which has bolstered the dollar and supported U.S. yields to recover from their lows. The US$JPY pair has maintained levels above 145, reaching a two-week high of 149.38 toward the end of the week. Fundamentally, the pair is expected to remain range-bound, as market sentiment has stabilized with the anticipation of modest U.S. rate cuts later this year. Traders are leaning towards a 25 basis point reduction with a 75% probability, while a 50 basis point cut is still possible, with CME FedWatch indicating a 25% chance of the larger cut occurring in September. The interest rate differential will largely hinge on the Fed's rate cut decision. The pair's movement may also react to the Bank of Japan's stance; particularly as upcoming economic data could influence its decision on a rate hike.

The US$JPY pair started the week lower at 146.45, with the 145-146 range acting as a significant support zone. The U.S. dollar has sharply strengthened against the Japanese yen, driven by the Bank of Japan's dovish stance on future interest rate hikes. Two weeks ago, the pair broke through a long-term support region around 147-149, a critical area to monitor. Currently, the pair has re-entered this 147-149 support range, which may now provide some resistance, while the 152-yen level, previously a support and aligned with the 200-week EMA, is now viewed as R2. Technically, short-term pullbacks are expected to attract buyers, with the 145 (S1) level being closely watched for potential support. This week's movements highlight a weak trend for the yen, potentially leading to indecision among market participants. Traders should carefully monitor these key levels as they navigate potential shifts in market dynamics.

BLOG

Integrating Best Forex Signal Providers with Trade Finance Solutions: Enhancing FX Currency Trading Strategies and Accounts

The forex market has grown increasingly complex over the years, offering a world of opportunity alongside risk and uncertainty. Traders are constantly seeking ways to sharpen their edge. A game-changing approach has emerged: combining top-notch forex signal providers with trade finance solutions. This integration is proving to be an eye-opener for many in the trading community.

Understanding Forex Signals and Trade Finance

Forex signals are essentially hot tips from market experts on when to buy or sell currency pairs. The best providers use a mix of technical analysis, fundamental research, and market instinct to generate these signals. In the volatile forex market, such insights can be invaluable.

Trade finance, while seemingly a separate domain, plays a crucial role. These solutions are essential for businesses involved in international trade, helping them manage risks in cross-border deals, including currency exchange. By bringing this approach into forex trading, traders can better manage their strategies and protect their interests.

The Power of Integration

The combination of forex signals and trade finance solutions creates a powerful synergy. Risk management improves significantly as traders are better equipped to navigate the choppy waters of forex trading. With top-tier signals and trade finance tools at their disposal, traders can make more informed decisions and potentially sidestep significant losses.

Decision-making also gets a substantial boost. Traders aren't just relying on signals or trade finance insights alone - they're getting a 360-degree view of the market. This holistic approach helps in making choices that align better with overall strategies.

Profitability is another key benefit. By leveraging the best forex signals and integrating them with trade finance solutions, traders can capitalize on market opportunities more effectively. It's like having a secret weapon in the trading arsenal.

Choosing the Right Signal Provider

Selecting the right signal provider is crucial. Traders should consider the provider's track record, signal delivery methods (SMS, email, app), quality of customer support, and cost. It's important to remember that free isn't always better - sometimes quality comes at a price.

Benefits to Trading Accounts

This integrated approach can significantly enhance forex trading accounts. It helps in fine-tuning strategies, allocating funds more effectively, and implementing better risk management. Traders often find themselves spotting trends and opportunities they might have missed before. Best Practices to maximize the benefits of this integration, several best practices are recommended:

1. **Regular reviews:** Keeping tabs on the integrated system's performance is crucial. This involves analyzing the accuracy of signals and the effectiveness of trade finance solutions.
2. **Continuous learning:** The forex market is ever-evolving. Staying updated on new signal providers, changes in trade finance, and emerging market trends is essential.
3. **Risk management:** This should always be the top priority. The new tools should be used to manage risks proactively and protect the trading account.

The Impact of Live Forex Signals The availability of live forex signals has been a game-changer for many traders. Real-time, high-quality signals that integrate seamlessly with trade finance solutions allow for quick, informed decisions.

Conclusion

The integration of top forex signal providers and trade finance solutions opens up a new world of possibilities in trading. It's not just about increasing profits, but about trading smarter and more efficiently. As the forex landscape continues to evolve, this integrated approach is likely to become increasingly important for traders looking to stay ahead of the curve.

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*TILL MARCH 2025

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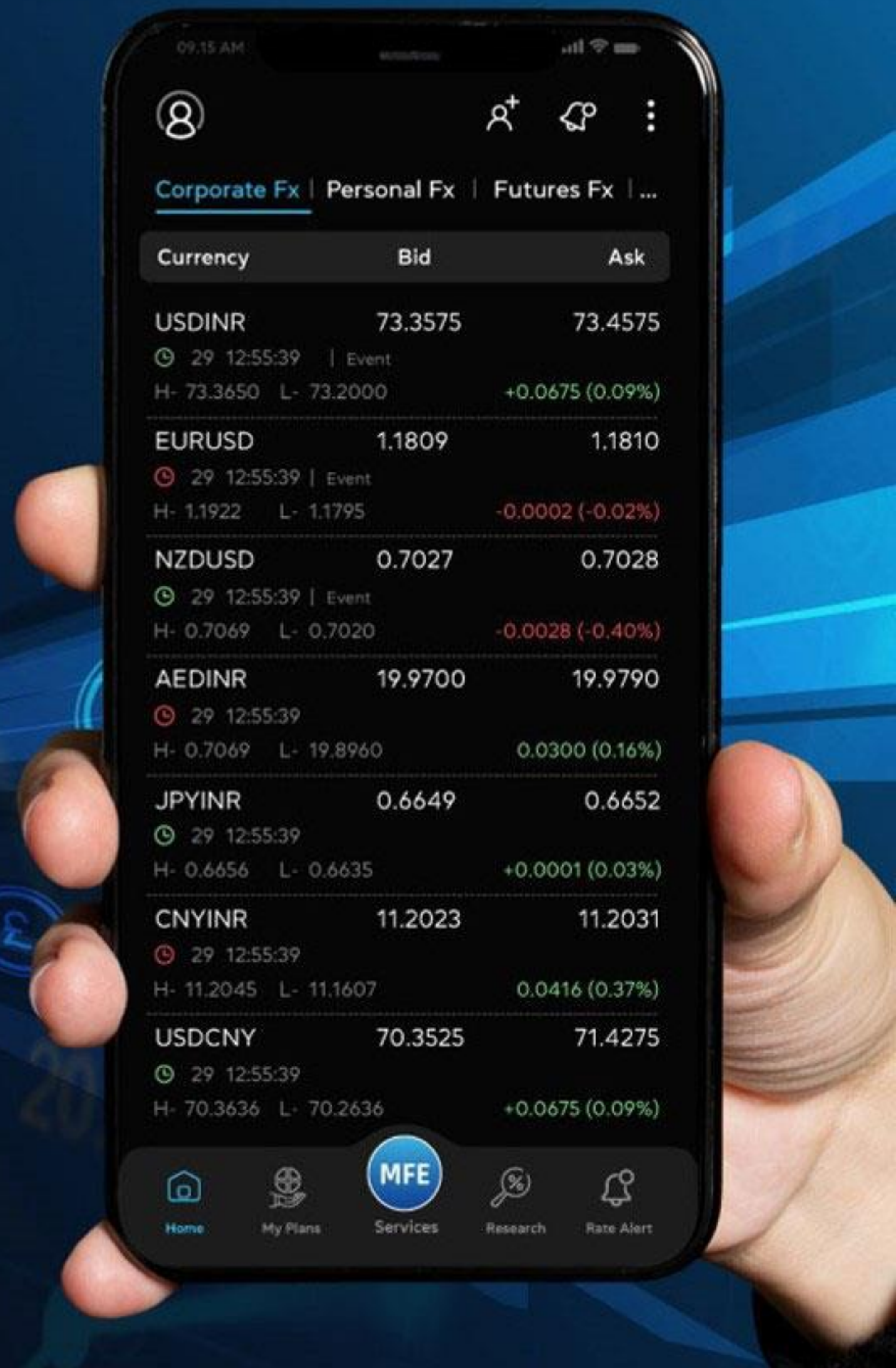

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THANK YOU

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