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Simplifying Forex

TPCI Trade Promotion Council of India

Forex Market Insights

Newsletter

Volume 131 → Sep 07 to Sep 13, 2024

Welcome

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Dear Stakeholders,

This week, we observed the Greenback weakening as market participants increasingly expect the Federal Reserve to cut rates soon. Despite a late-week uptick, lower yields and economic health concerns pressed the US Dollar Index (DXY) into a weekly decline, amid the broader downward shift in US yields.

Next week's economic calendar is filled with data that could influence our strategic decisions. We're keeping an eye on the Wholesale Inventories, with inflation expectations and key industry reports on the horizon. Notably, inflation rates, due on September 11, will take center stage. Key currency pairs, EURUS$ briefly touched highs near 1.1160 but couldn't maintain that level.

GBPUS$ logged its second week of losses, despite a strong Friday rebound. US$JPY continued its bearish trend, nearing four-week lows around 141.80. AUDUS$ also faced pressure, approaching three-week lows. As we encounter these busy market timelines, I reassure you that our approach remains flexible yet vigilant, dynamically aligning our strategy with real-time data. In line with this, our outlook remains cautiously optimistic but well-prepared for any economic fluctuations that may arise.

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

Key Takeaway Summaries

₹ INR

The rupee stability is supported by record-high FX reserves and a strong MSCI Index position, limiting declines despite global economic uncertainties.

€ EUR

The EURUS$ pair rebounded due to eased recession concerns amid mixed US labor data, with markets eyeing Fed rate decisions.

£ GBP

The GBPUS$ pair's movements were driven by changes in US dollar index directions amid market reactions to mixed economic data and Federal Reserve rate cut expectations.

¥ JPY

The yen saw a notable gain to 142.24 by week's end, driven by US dollar index weakness and expectations of a Fed rate cut.

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₹ INR

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

Events to WATCH

Sep 12, 17:30
CPI (YoY) (Aug)

Sep 12, 17:30
Industrial Production (YoY) (Jul)

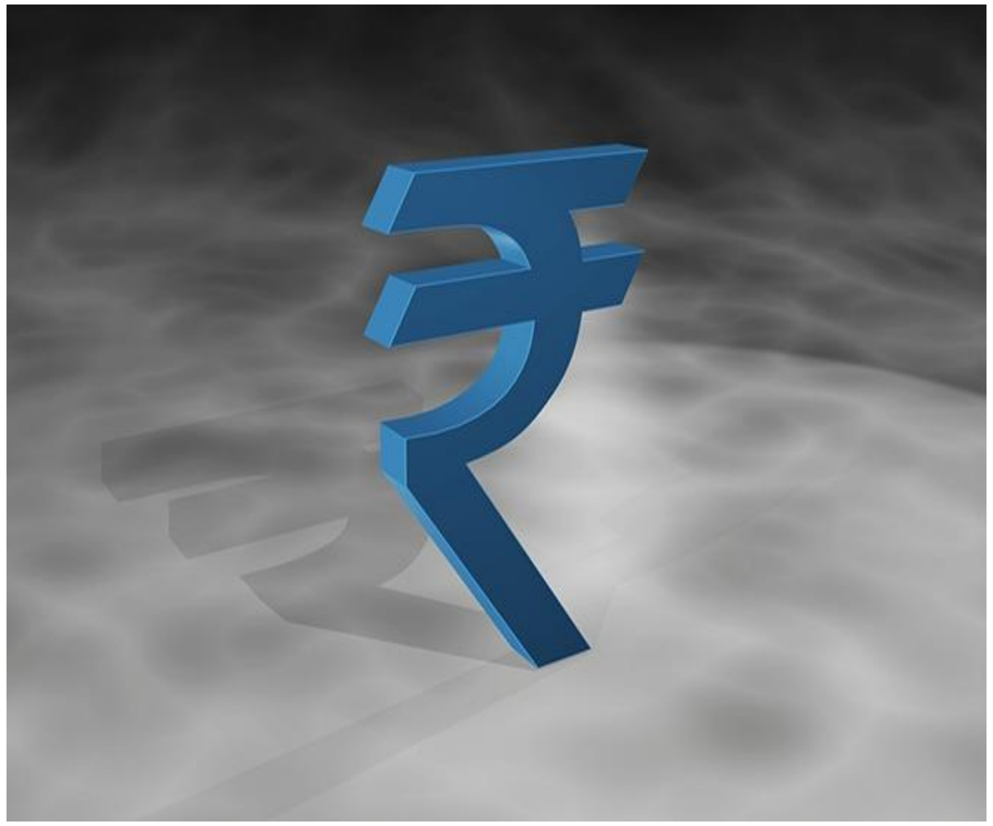
Sep 12, 17:30
Manufacturing Output (MoM) (Jul)

Sep 13, 12:00
WPI Food (YoY) (Aug)

Sep 13, 12:00
WPI Inflation (YoY) (Aug)

Sep 13, 17:00
FX Reserves, US$

The US$INR pair started the week on a positive note as it made a weekly high 83.8425 on Monday. The pair, however declined and touched a new all-time-high of 83.9875 on Thursday, due to heavy dollar demand from oil importers. However, likely intervention from the RBI prevented the excessive declines in the currency. This week the major eyes were on the US labor market report. Though the dollar index declined towards the end of the week as the JOLTs Job openings, ADP Non-Farm Employment change and the major Non-Farm Payrolls data were all lower than expectation, suggesting the cooling in the US labor market. However, the Average hourly earnings grew by 0.4%, suggesting a steady slowdown in the labor market, reducing the fears of recession in the US economy. Following the data release the dollar index fell to a 1-week low of 100.58,but recovered afterwards, while the chances of a 50-bps rate-cut reduced to just 30%, which were around 41% before. Currently the market is pricing in a small 25 bps rate-cut by the Fed at the September meeting.



The rupee however, recovered towards the end of the week, tracking the gains in the Asian peers, as it ended the week slightly higher at 83.94. India's foreign exchange reserves surged by $2.299 billion, reaching a new record high of $683.987 billion for the week ending August 30. These reserves have been steadily increasing, with a cumulative rise of over $60 billion in 2024 alone. This robust reserve buffer plays a critical role in shielding the domestic economy from global economic disruptions. With ample FX reserves, increased weightage of India in MSCI Index and a likely 25 bps cut from Fed at September meeting, the excessive declines in the domestic currency remains limited.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.5%	3%	2.9%	4.2%	$-78.79B

Events to WATCH

Sep 11, 18:00
Core CPI (MoM) (Aug)

Sep 11, 18:00
CPI (MoM) (Aug)

Sep 11, 18:00
CPI (YoY) (Aug)

Sep 12, 18:00
Initial Jobless Claims

Sep 12, 18:00
PPI (MoM) (Aug)

Sep 12, 22:30
30-Year Bond Auction

Sep 13, 18:00
Export Price Index (MoM) (Aug)

Sep 13, 19:30
Michigan Consumer Sentiment (Sep)

It was a roller coaster ride for the US$INR pair this week. The pair started the week on a negative note, continuing its trend from last week as it made a weekly low of 83.8425. But the declines were short lived, as the pair gained and made a new all-time-high of 83.9875 on Thursday.

The strength in the pair can be clearly seen as the pair continues to trade above the 100-Day EMA at 83.60. As per the daily chart frame, the pair faced resistance at the 83.9875 level(orange line). As per the RSI, the pair is currently trading slightly above the neutral zone at 60.06, confirming the slight bullishness in the pair. The pair ended the week lower at 83.94, but if continues to march upwards, it may face resistance at 83.9875 (previous resistance) and the psychological 84 level, preventing further upside in the pair.

As the pair continues to trade higher and closer to the all-time-high of 83.9875, exporters to increase their hedges at the current levels, while maintain a hedge ratio of 50-60%. While importers to remain vigilant and hedge at any dip of 10-15 paisa in the currency (around 83.85), for the near-term payments.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.25%	0.3%	2.2%	6.4%	€22.335B

Events to WATCH

Sep 10, 11:30
German CPI (MoM) (Aug)

Sep 10, 11:30
German CPI (YoY) (Aug)

Sep 12, 17:45
Deposit Facility Rate (Sep)

Sep 12, 17:45
ECB Interest Rate Decision (Sep)

Sep 13, 14:30
Industrial Production (MoM) (Jul)

This week, the EURUS$ pair demonstrated resilience, mostly traded below 1.1100 before recovering from a three-day losing streak. This rebound was driven by a weaker US Dollar, impacted by dovish signals from the Federal Reserve and mixed US inflation data. The Fed's upcoming rate decision is critical, with a 70% probability of a 25 basis point cut and a 30% chance of a 50 basis point reduction. Fed officials cited cooling inflation and rising unemployment as justifications for a rate cut. Conversely, the European Central Bank is also contemplating a rate cut, with ECB's Francois Villeroy de Galhau suggesting this possibility for their September 12 meeting. Initially, the EURUS$ pair traded near 1.1050, influenced by disappointing US ISM Manufacturing PMI data that sparked recession concerns, which increased safe haven demand. However, the EURUS$ pair reached a weekly high of 1.1150 before settling at around 1.1090 as the US Dollar gained some strength The US Nonfarm Payrolls report revealed 142K new jobs for August and Unemployment Rate at 4.2%, with stronger-than-expected Average Hourly Earnings data adding support to the US Dollar and reducing the fears of recession in the US economy. Market focus remains on US CPI data and Federal Reserve signals for future rate cuts.

The EURUS$ pair opened the week at 1.1044, holding above the 1.1000 level, which now acts as short-term support. Despite attempts, the pair struggled to break past 1.1100 early in the week, due to a rebound in the U.S. dollar and anticipation of U.S. labor market data. The weakening labor data has reduced the likelihood of a 50 basis point rate cut by the Federal Reserve to 45%. Key resistance is expected between 1.1100-1.1200, with a potential rally to 1.1250-1.1300 if breached. On the downside, consolidation below 1.1100 could see support at 1.1000. The pair's direction will be influenced by upcoming economic data and central bank meetings.

£ GBP

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

Events to WATCH

Sep 10, 11:30
Claimant Count Change (Aug)

Sep 10, 11:30
Unemployment Rate (Jul)

Sep 11, 11:30
GDP (MoM) (Jul)

Sep 11, 11:30
Industrial Production (MoM) (Jul)

Sep 11, 11:30
Manufacturing Production (MoM) (Jul)

Sep 11, 11:30
Trade Balance (Jul)

The GBPUS$ pair has experienced notable volatility amid shifting market expectations and economic data releases. On Monday, the pair started the week in positive territory, recovering from a three-day losing streak, influenced by movements in the US dollar and the US Labor Day holiday. Initially, the pound's strength was bolstered as the manufacturing sector continues to be in expansion phase, and the BRC retail sales data showed the retail sales picked up in August. However, the pair later traded lower at around 1.3125 due to increased demand for the US dollar on markets risk aversion sentiment and anticipation of major labor market data. This came despite market expectation of four Fed rate cuts between September and January, with no rate change expected from the BoE in September. However, on Friday, the GBPUS$ pair saw gains, reaching approximately 1.3240 mark, due to ongoing US dollar index and US treasury yields weakness. Yet, the pair fell sharply later in the day, ending the week at 1.3119 as the US dollar recovered slightly after dipping to an eight day lowest mark at 100.58. This shift followed by the August Nonfarm Payrolls report, which revealed 142K new jobs below expectations but better than July's revised figures and a decrease in the unemployment rate to 4.2%. The report suggests a potential Federal Reserve rate cuts, but the pound remains under pressure due to limited UK economic data and mixed market sentiment.

The Sterling continued to decline for the second consecutive week in a row. The pair fell and touched a 2-week low of 1.3087 in the starting of the week. The pair showed some signs of recovery towards the end of the week, only to decline and conclude the week lower at 1.3119. The seller's interest in the pair is clearly visible. The pair ended the week lower than the previous week's close, which is a bearish signal. The MACD Indicator further confirms the downtrend in the near future, as the bearish cross-over can be clearly seen. If the pair continues its downtrend, the pair may find some support at the psychological level of 1.3000. If the pair breaches this level, the next support lies at the 100-Days EMA at the 1.2850 level, protecting the downside.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
0.25%	0.8%	2.8%	2.7%	¥ -622B

Events to WATCH

Sep 09, 05:20
GDP (QoQ) (Q2)

Sep 09, 05:20
GDP Price Index (YoY) (Q2)

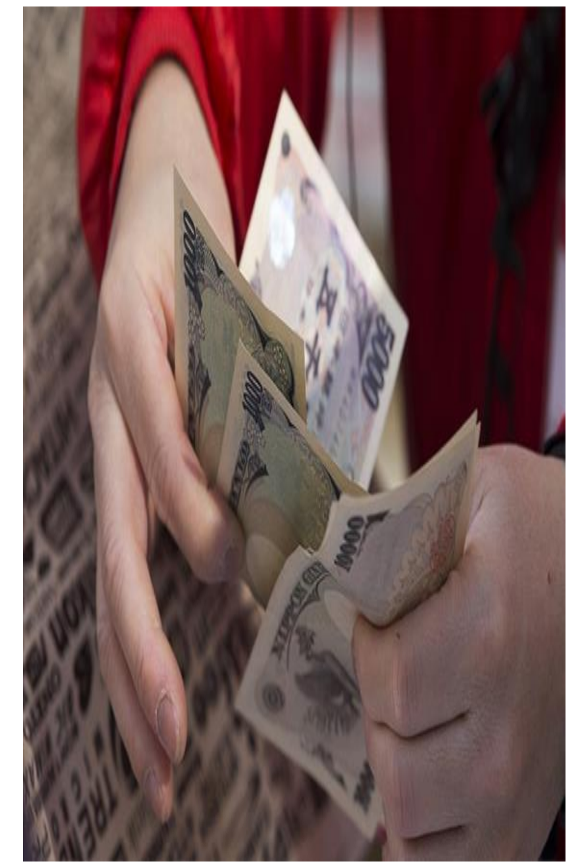
Sep 12, 05:20
Foreign Bonds Buying

Sep 12, 05:20
PPI (MoM) (Aug)

Sep 12, 05:00
PPI (YoY) (Aug)

Sep 13, 10:00
Industrial Production (MoM) (Jul)

At the start of the week, the Japanese yen traded above 146.00 mark against the US dollar, hitting near two-week lows. This weakness stemmed from a stronger US dollar, bolstered by reduced expectations for aggressive Federal Reserve rate cuts. Meanwhile, Japan reported a 7.4% increase in Q2 capital expenditure, marking 13 consecutive quarters of growth. Additionally, Japan's Manufacturing PMI was slightly revised up, signaling a stabilization trend. Despite these positive indicators, the yen's performance was mixed due to weak Japanese manufacturing data and the Bank of Japan's cautious approach to further rate hikes. The BoJ is struggling with inflation pressures, illustrated by rising Tokyo inflation and a 989 billion yen allocation for energy subsidies. However, the yen briefly strengthened to around 145.00 due to weak US manufacturing data and increased safe-haven demand amid recession fears. Market anticipation of a BoJ rate hike in December contributed to this rebound. Although, recent data showed a 0.4% rise in real wages in July and a 3.6% increase in total cash earnings, the highest since January 1997. While, household spending fell short of expectations. By week's end, the yen had gained about 2.6% to the 142.24 mark as the US dollar weakened following mixed US labor market data. As a result, markets now anticipate a significant likelihood of a Federal Reserve rate cut in the September 18 meeting.



The US$JPY pair opened the week higher at 147, with the 145 level serving as key support in early trading. Weakening U.S. labor data reduced the likelihood of a 50-basis-point Federal Reserve rate cut to 45%. The pair broke below the long-term support zone of 147-149, turning it into potential resistance. Sharp declines brought the pair under the 143-142 levels. Technically, pullbacks could attract buyers, with 143.50 (R1) as short-term resistance. The 141-142 zone may act as further support if the yen stabilizes next week between 142-143. This week's moves suggest limited downside for the pair, as the unwinding of large carry trades appears to have taken place. Traders should monitor these critical levels amid potential shifts in broader market conditions.

BLOG

How the Best Forex Signal Providers Enhance International Currency Trading Strategies

Forex trading is a dynamic and complex arena where traders constantly seek to optimize their strategies for better returns. One of the most effective ways to achieve this is by leveraging the expertise of top forex signal providers. These services offer valuable insights and recommendations that can significantly enhance trading strategies, leading to improved performance in forex trading accounts.

Enhancing Forex Trading with Expert Guidance

The primary benefit of using forex signal providers lies in accessing the deep knowledge and experience of seasoned traders and analysts. These professionals have spent years honing their skills in the intricate world of international currency trading. By subscribing to their services, traders can bypass the labor-intensive task of conducting extensive market analysis on their own and instead rely on the pre-tested strategies provided by these experts.

How Forex Signal Providers Improve Trading Strategies

Forex signal providers are instrumental in enhancing trading strategies through a variety of services:

Precise Entry and Exit Points: Forex signal providers help traders optimize their market timing by offering precise entry and exit points. These signals are often derived from sophisticated technical analysis, enabling traders to maximize their gains and minimize losses.

Diversification Strategies: Signal providers often suggest trading multiple currency pairs, which can help diversify trading strategies, reduce risk, and increase profit opportunities.

Risk Management Guidance: Beyond profit potential, the best forex signal providers emphasize risk management. They offer recommendations for stop-loss and take-profit levels, which are crucial for protecting trading accounts from significant losses.

Educational Resources: Many top providers also offer educational materials such as webinars, e-books, and tutorials, helping traders understand the rationale behind the signals and improve their trading knowledge.

Maximizing Profits with Effective Forex Trading Strategies

A successful forex trading account requires more than just accurate signals for entry and exit points. Effective risk management and capital allocation are also essential. By following the guidance of reputable signal providers, traders can better manage their accounts, set appropriate stop-loss and take-profit levels, size their positions correctly, and diversify their trades. Over time, these practices contribute to more consistent profitability.

The Growth of Online Forex Trading in India

The rise of online forex trading in India is a notable trend, driven by the country's growing economy and its increasing integration with global markets. As more Indian traders engage in forex trading, the best signal providers have tailored their services to meet the specific needs of this market. These providers consider local economic conditions, regulatory frameworks, and trading hours, ensuring that their signals are relevant and actionable for Indian traders.

Selecting the Right Forex Signal Provider

While the value of forex signal providers is clear, it's essential to choose the right one. A reputable provider should have a proven track record, transparent performance reporting, and a clear explanation of their methodology. Factors to consider when selecting a provider include the types of signals offered, the frequency of signals, communication channels, service costs, and customer support.

Conclusion: Leveraging Expert Insights for Trading Success

In the competitive world of forex trading, having access to expert insights can make a significant difference. The best forex signal providers offer guidance that enhances trading strategies, improves risk management, and potentially boosts profitability. However, it's important to use these signals as part of a broader trading strategy, combining expert guidance with personal knowledge and discipline. By continuously learning and refining their approach, traders can maximize their profits and achieve their financial goals in forex trading. Whether in India or elsewhere, the right signal provider can be a valuable partner on the journey to trading success.

THANK YOU

Disclaimer:- TPCI and Myforexeye are not responsible if one takes a decision based on the contents of the newsletter

Myforexeye
Simplifying Forex

Mr. Ritik Bali
8860447723
advisory@myforexeye.com

TPCI Trade Promotion Council of India

Ms Aashima Sharma
8826337027
aashima.sharma@tpci.in

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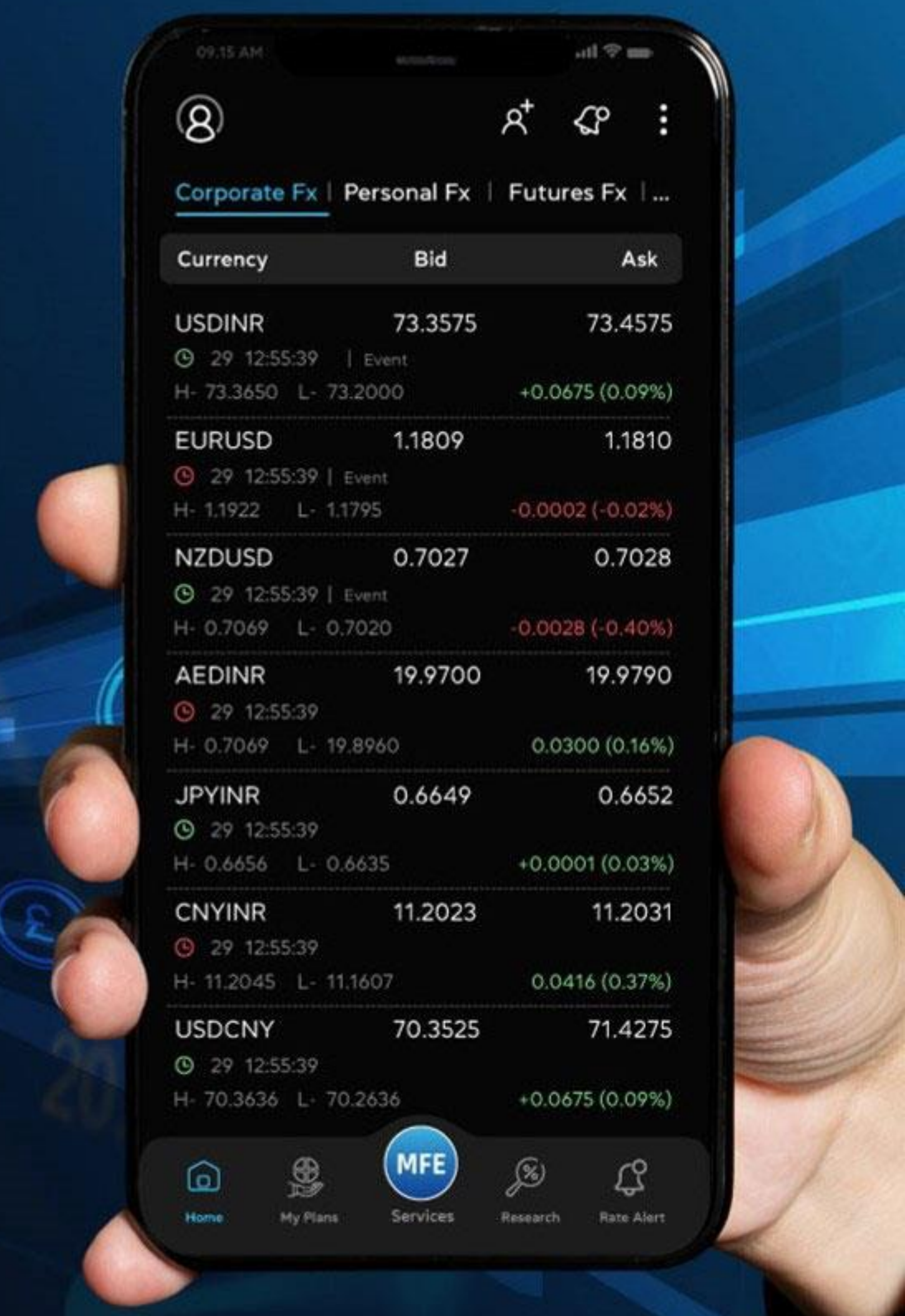

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