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Simplifying Forex

TPC Trade Promotion Council of India

Forex Market Insights

Newsletter

Volume 133 → Sep 21 to Sep 27, 2024

Welcome

Dear Stakeholders,

We've seen the greenback slip for three consecutive weeks, with the decline accelerating after the Fed's significant rate cut on September 18. This weakness stems from market expectations of further rate cuts and growing confidence in a soft landing for the US economy, which has boosted risk appetite.

The Dollar Index hit lows around 100.20, levels not seen since last summer. Looking ahead, we're watching key economic indicators including PMIs, housing data, and consumer confidence. The PCE report on September 27 will be crucial. Meanwhile, the euro and pound have gained ground, with EURUS$ surpassing 1.1100 and GBPUS$ exceeding 1.3300. Japanese yen, the decline in US$JPY found support around 139.50, with critical data releases such as the Jibun Bank Manufacturing and Services PMIs and the Tokyo CPI due in the coming days, while the Australian dollar broke above 0.6800.

Going forward, I anticipate continued dollar weakness if economic data supports further rate cuts. However, any signs of economic instability or geopolitical tensions could quickly reverse this trend. We'll be monitoring these developments closely to inform our strategy.

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

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After being stable for a long time, the pair finally exhibited some volatility, with a 33 paisa range during the week.

€ EUR

ECB member Simkus further supported the euro, suggesting that the likelihood of an October rate cut was slim.

£ GBP

On Thursday, with Governor Andrew Bailey warning that policymakers "need to be careful not to cut too fast or by too much".

¥ 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%	3.65%	8.5%	$-29.7B

Events to WATCH

Sep 23, 10:30
Nikkei S&P Global Manufacturing PMI (Sep)

Sep 23, 10:30
Nikkei Services PMI (Sep)

Sep 27, 17:00
FX Reserves, US$

Finally, some recovery in our beloved Rupee – This week the US$INR pair started strong at 83.89 but had fallen to hit its more than 2-month low level of 83.4775. After being stable for a long time, the pair finally exhibited some volatility, with a 33 paisa range during the week. The Rupee's significant rebound occurred in the last two trading sessions following the US Federal Reserve's monetary policy meeting. The Fed cut interest rates by 50 basis points and signaled further cuts, projecting a 50 bps reduction by the end of 2024, a full percentage point by 2025, and an additional 50 bps by 2026. The dollar index fell to a 1-year low of 100.215, last seen in July 2023. Powell also emphasized that the Fed has no intention of returning to ultra-low interest rates, suggesting the neutral rate will be much higher than in the past. This points to a strong dollar in the near term, as inflation targets remain at 2%, while interest rates are projected to be around 2.75-3.00% by the end of 2026.

The rupee rally was supported by the ongoing dollar weakness, portfolio inflows and a significant appreciation in the Chinese currency as it appreciated by 0.7% to 7.045 to a more than 1-year low level last seen on 25 May 23. Additionally, the Indian Sensex surpassed the 84,000 mark for the first time on Friday, driven by foreign institutional investments following the global rally spurred by the Fed's rate cut. September saw significant overseas investments in Indian equities, with FPIs injecting ₹33,300 crore so far, the second-highest monthly inflow in 2024, only behind March's ₹35,100 crore. The recent Rupee rally reflects positive domestic conditions and the influence of global monetary policy changes.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5%	3%	2.5%	4.2%	$-78.79B

Events to WATCH

Sep 23, 19:15
Manufacturing PMI (Sep)

Sep 23, 19:15
Services PMI (Sep)

Sep 24, 19:30
CB Consumer Confidence (Sep)

Sep 25, 19:30
New Home Sales (Aug)

Sep 26, 18:00
GDP (QoQ) (Q2)

Sep 27, 18:00
Core PCE Price Index (MoM) (Aug)

Sep 27, 18:00
Core PCE Price Index (YoY) (Aug)

The much-anticipated recovery of the Indian Rupee has finally seen, with the US$INR pair dropping to a two-month low of 83.4775. After starting the week stronger at 83.89, the pair ultimately closed lower at 83.57.

On the daily chart, the downtrend in the US$INR pair has resumed, as it broke below the critical 100-day Exponential Moving Average (EMA). This bearish momentum is further supported by the 14-day Relative Strength Index (RSI), which is below the midline, near 27.20, indicating a favorable environment for sellers. Additionally, two price gaps are visible on the chart: the first, an upward gap between 83.17 - 83.24 from June 3-4, 2024 (marked by orange lines), and the second, a downward gap between 83.9625 - 83.94 from September 12-13, 2024 (marked by black lines).

Rupee is at its strongest levels since 10Jul24 and it has continuously weakened since Apr 24 due to which importers had a very tough time as they got minimal opportunities to hedge Now is a favorable time for importers to hedge their short-term payables, while exporters may want to hold off for a bit. A mix of forwards and vanilla options is recommended for hedging, as volatility in options hasn't risen significantly, making vanilla options relatively affordable.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.65%	0.2%	2.2%	6.4%	€21.232B

Events to WATCH

Sep 23, 13:30
Manufacturing PMI (Sep)

Sep 23, 13:30
Services PMI (Sep)

Sep 24, 13:30
German Ifo Business Climate Index (Sep)

Sep 27, 13:25
Geramn Unemployment Change (Sep)

It was a blockbuster week for the EURUS$ pair, rising 0.75%, driven largely by broader dollar weakness as markets priced in a 50 bps Fed rate cut. ECB member Simkus further supported the euro, suggesting that the likelihood of an October rate cut was slim, as the economy appears to be developing in line with forecasts. The release of Eurozone CPI, which matched expectations at 2.2%, close to the ECB's 2% inflation target, also lent support. The Fed delivered a 50 bps cut, pushing EURUS$ to 1.1189, though gains were short-lived as Fed Chair Powell's forward guidance was less dovish than expected. He reassured markets that the Fed's significant 50 bps rate cut this week was not a reactionary move to worsening economic conditions, but a proactive step aimed at staying ahead of potential challenges and supporting the US labor market. Markets continue to price in two more Fed rate cuts this year, while ECB members suggest waiting until December for any policy adjustments. The pair benefits from the divergence in both the central banks, but the upside remains limited as the economy continues to undermine as confirmed by the Germany's ZEW economic sentiment which fell to a 10-month low.

The EURUS$ pair started the week trading at 1.1076, holding above the key support level of 1.1000. Early in the week, the pair broke through resistance at 1.1100 as markets anticipated the U.S. Federal Reserve's interest rate cut decision. With increasing odds of a 50 bps cut, EURUS$ gained bullish momentum. Following the Fed's 50 bps rate cut mid-week, the pair tested its projected resistance level near 1.1200. The primary resistance zone for EURUS$ remains between 1.1100 and 1.1200, with a potential breakout driving the pair toward 1.1250-1.1300. On the downside, if the pair fails to sustain above 1.1100, it may revisit the 1.1000 support level. The pair's direction will be influenced by upcoming economic data and further Fed rate cuts expected later this year, which could provide additional guidance for the market.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5%	0.6%	2.2%	4.1%	£ -7.514B

Events to WATCH

Sep 23, 14:00
Composite PMI (Sep)

Sep 23, 14:00
Services PMI (Sep)

On Friday, GBPUS$ continued to gain against the US dollar, as it gained for the second week in a row. According to the data, UK retail sales climbed by 1% month over month in August, compared to a market t projection of +0.4%. The continued weakness in the US dollar, combined with optimistic data from the UK, helped GBPUS$ rise on Friday to a more than 2-year high of 1.3340 levels. On Wednesday, the Fed dropped interest rates by 50 bps, bringing the federal funds rate down to 4.75%-5.0%. In contrast, the BoE voted to keep the policy rate at 5.0%. On Thursday, with Governor Andrew Bailey warning that policymakers "need to be careful not to cut too fast or by too much". The central banks' imbalances fuelled the pair's ascent, sending it to a new 30-month high of 1.3315 on Thursday. Despite a modest decline following the BoE event, GBPUS$ closed in positive territory on Friday. The GBPUS$ pair's bullish potential remained intact, as the Pound Sterling capitalized on the monetary policy divergence between the BoE and the Fed.

The GBPUS$ pair continued its upward momentum for the second consecutive week as the pair gained by 1.5% this week. The back-to-back green candle formation in the last three trading sessions suggests the buyer's interest in the pair. The bullish momentum continued on Friday as the pair gained to 1.3340 mark, a level last seen in March 2022. The MACD Indicator also shows a bullish cross-over, which is a positive signal, though a weak one as the cross-over happened above the zero line. If the pair continues its uptrend, it may face resistance at the psychological level of 1.3400(pink line). However, if the pair breaches this level, then it might test the previous resistance (black line) at 1.3642(last touched in Feb 2022). On the other hand, if the pair retraces, the support at 1.3150(orange line) will protect the further downside in the pair.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
0.25%	0.7%	3%	2.7%	¥ -695B

Events to WATCH

Sep 24, 06:00
Services PMI (Sep)

Sep 25, 10:30
BoJ Core CPI (YoY)

Sep 27, 05:00
Tokyo Core CPI (YoY) (Sep)

The US$JPY rose for the second consecutive day on Friday, reaching a weekly high of 144.49 but struggling to break through the 144.00 level decisively. The Bank of Japan maintained its short-term interest rate at 0.25% during its September 19-20 meeting, following two rate hikes in 2024. Market optimism for future BoJ rate hikes remains strong, supported by August's CPI data of 3%, up from 2.7% in July. Meanwhile, a slight recovery in the US Dollar Index to 100.85 has pushed the asset higher. BoJ Governor Kazuo Ueda emphasized that monetary policy decisions will be based on economic, price, and financial conditions. He noted Japan's exceptionally low real interest rates and confirmed potential rate hikes if economic projections are met. Looking ahead, the yen is expected to maintain its bullish momentum due to rising CPI and stable BoJ rates. Traders should monitor FOMC updates that could impact this trend.

The US$JPY pair started the week lower at 140.67, breaking below the 140 support level early on as markets anticipated the U.S. Federal Reserve's interest rate cut. With a growing likelihood of a 50 bps cut, US$JPY faced downward pressure, leading to bearish momentum and reducing pressure on the yen. Following the Fed's mid-week rate cut, the pair tested the 140 support level again before dropping to a 14-month low at 139.57. Technically, short-term pullbacks could attract buyers, with resistance expected at 143.50 (R1). The 140-141 zone may provide further support if the yen stabilizes in the 142-143 range in the upcoming week. In the near term, US$JPY could see further gains, with resistance first at 144.40. A break above this level would target 145.00, followed by the September 3 high of 147.21.

BLOG

Leveraging Live Forex Rates for Real Time Corporate Currency Management

In today's fast-paced financial world, real-time information is crucial. Market conditions can change instantly, making access to up-to-the-second data a necessity rather than a luxury. This is where forex rates come in, offering insight into global currency markets live. For corporate financial managers, treasurers, and executives, harnessing these live rates can spell the difference between profit and loss, and between capitalizing on opportunities and succumbing to market volatility.

The Importance of Live Forex Rates

Live forex rates provide instantaneous data on currency values, reflecting the current global market influenced by economic factors, geopolitical events, and market sentiment. For multinational corporations, this information is vital. The forex market is highly volatile, with exchange rates shifting rapidly. Monitoring live rates allows companies to:

1. Accurate Financial Forecasting: Incorporating live rates into models for precise forecasts and budgets.
2. Risk Management: Better assessment and management of currency risks.
3. Optimized Cash Flow: Timing currency conversions strategically for potential savings.
4. Improved Decision-Making: Quicker, informed decisions on international finances.

Real-Time Data: A Treasury Management Game-Changer

Corporate treasury departments traditionally relied on historical data. However, real-time forex rate technology has revolutionized this. Treasury managers can now:

1. Execute forex trades optimally
2. Hedge risks effectively
3. Improve cash flow forecasting
4. Enhance reporting and analytics

Real-time insight allows more dynamic strategies, seizing opportunities and mitigating risks unseen with less frequent updates.

Integrating Live Rates in Corporate Systems

To maximize live forex rates, corporations must integrate real-time data into their systems:

1. API Integration: Incorporating live rates into financial software and ERP systems.
2. Automated Alerts: Keeping managers informed of significant movements without manual monitoring.
3. Real-Time Dashboards: Comprehensive views combining forex rates with key metrics.
4. Mobile Access: Decision-makers can access data remotely for timely actions.

Challenges in Implementing Live Forex Rates

Despite the benefits, challenges exist:

1. Data Quality: Ensuring accurate, reliable data is crucial.
2. System Integration: Complex integration into existing systems requires careful planning.
3. Training: Financial teams need training for effective use and interpretation of live data.
4. Regulatory Compliance: Different industries and locations may have specific regulatory considerations.

The Role of AI

Artificial Intelligence (AI) is enhancing the use of live forex rates by:

1. Analyzing patterns and trends in data
2. Developing predictive models for potential currency movements
3. Automating decisions based on live rates
4. Continuously assessing and alerting on risk exposure

Conclusion

In a globally connected economy, leveraging live forex rates is a key competitive advantage. By integrating these rates, businesses can make informed decisions, manage risks, and optimize operations. While challenges exist, the benefits make it a worthwhile investment. As technology advances, the role of live forex rates will grow, driving further innovations in currency management strategies.

THANK YOU

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

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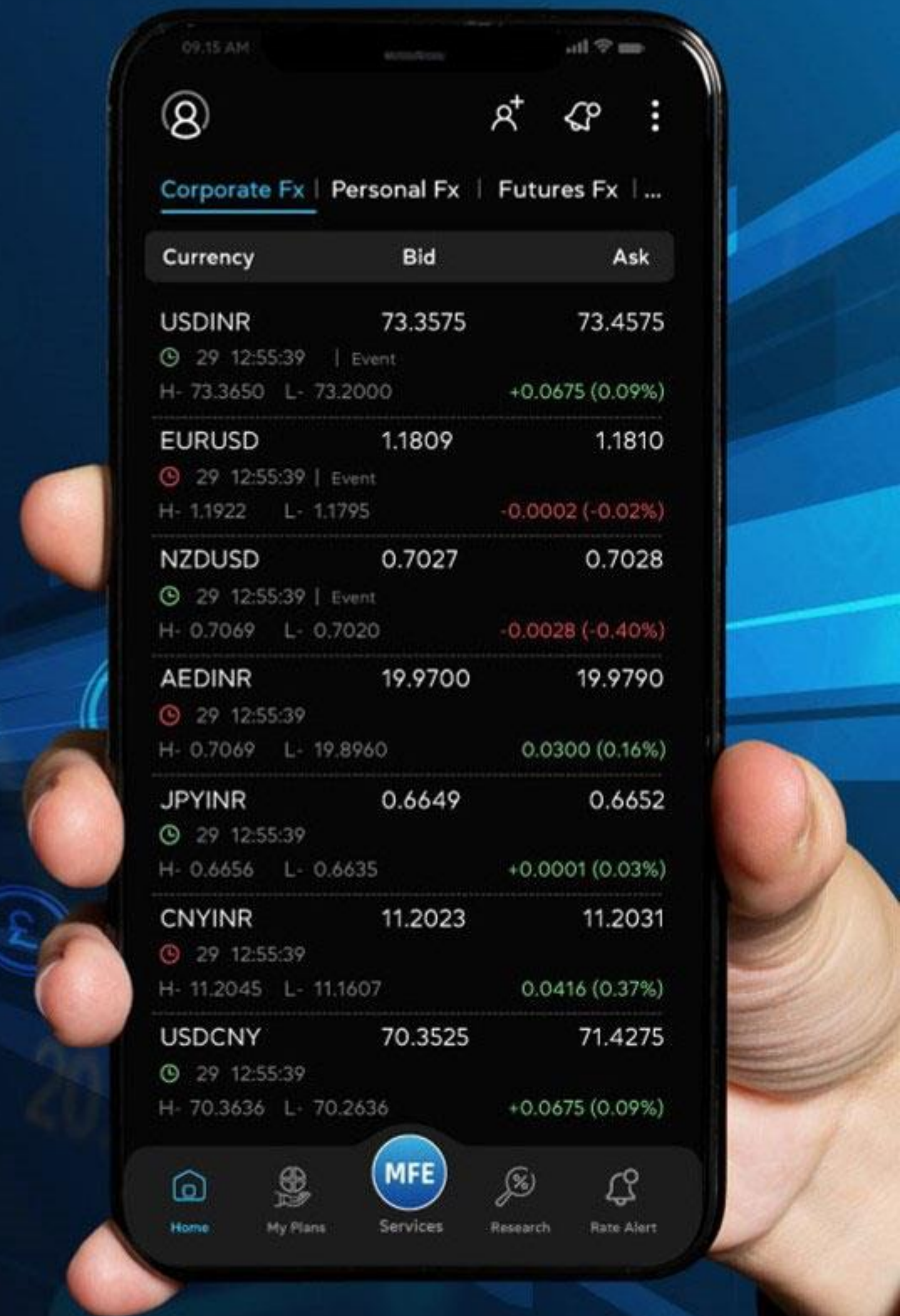

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