



Forex Market **Insights**  
Newsletter

Volume 54 → Jan 14<sup>th</sup> to Jan 20<sup>th</sup> 2023

# Exclusively for PDEXCIL members: Complimentary

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\*TILL MARCH 2023



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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%)		



# Welcome

Dear Members,

The December CPI data was the most significant macroeconomic development of the week and showed modest deflation to finish 2022. The February 1 FOMC meeting is expected to rise its target range for the federal funds rate by a cumulative amount of 75 bps from its current setting of 4.25%-4.50%.

Nominal retail sales declined by 0.6% in November, the largest monthly drop of 2022. Consumers have shown incredible resolve in the face of higher inflation and rising borrowing costs in 2022, but there are hints that may be changing. Brazil made headlines this week, as supporters of former President Bolsonaro stormed the capital to protest against the outcome of the 2022 presidential election.

Down under, inflation pressures in Australia remain persistent. After an extended period of strict COVID policies, China has reopened its economy and borders, which should improve economic prospects moving forward. On the domestic front, the rupee and other Asian currencies were helped by the dollar's slump against its major peers following the U.S. inflation data appreciated up to 81.26 its highest level in over a month.

Thank You

Mahesh Sanil  
Executive Director

## Key Takeaway Summaries

### ₹ INR

This was the rupee's best week since the week-ended Nov 11, surging about 1.7% after it broke out of a narrow range

### € EUR

Market's expectation that the ECB will keep raising rates for some time saw little support from the euro

### £ GBP

GBP/USD has recorded the second consecutive week of 2023 in the green

### ¥ JPY

It's vital to note that the 127 area, which appears to be an important cluster

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## Events to WATCH

Jan 16, 12:00  
WPI Inflation (YoY) (Dec)

On Friday, the Indian rupee strengthened, posting its biggest weekly gain in 2 months, as benign US inflation reading reinforced expectations of a relatively smaller rate hike by the US Fed next month. The local unit finished the session at over a 1-month high of 81.3250 per dollar. This was the rupee's best week since the week-ended Nov 11, surging about 1.7% after it broke out of a narrow range. The local unit and other Asian currencies advanced while the DXY extended losses to 102.00 levels following the US inflation figure. The Sensex rose 0.51% to 60,261.18, while the Nifty rose 0.53% to 17,952.00



On upbeat risk appetite after the US inflation print aligned with market expectations. US consumer prices on a MoM basis declined for the 1st time in more than 2.5 years in Dec, stoking hopes that the central bank could hike rates by a smaller 25 bps next month. The wide current account deficit of India would also remain one of the main reasons for the rupee weakness. However, USDINR forward premiums gained, tracking a fall in Treasury yields. The 1-year implied yield surged to 2.26%, its highest since Nov 2022.



# \$ USD

REPO RATE

4.5%

GDP

3.2%

INFLATION

6.5%

UNEMPLOYMENT

3.5%

TRADE BALANCE

-\$61.511B

## Events to WATCH

Jan 18, 19:00  
Retail Sales (MoM)  
(Dec)

Jan 18, 19:00  
Core Retail Sales  
(MoM) (Dec)

Jan 18, 19:00  
PPI (MoM) (Dec)

Jan 19, 19:00  
Building Permits  
(Dec)

Jan 19, 19:00  
Philadelphia Fed  
Manufacturing Index  
(Jan)

Jan 20, 20:30  
Existing Home Sales  
(Dec)



Finally, the USDINR trading range broke this week. Double top formation on the daily and weekly chart (check last week's mail, given below) has worked out well. For most parts of last week, USDINR witnessed swift unidirectional moves.

Let's evaluate what the charts indicate now. Daily candlestick shows a price down gap at 81.535 (12Jan'23) and 81.4475 (13Jan'23), highlighted by red horizontal lines. The 89-day simple moving average (grey line) and 144-day simple moving average (green line) are at 81.87 and 80.92 respectively. These moving averages have indicated important turning points in the past. Neckline of the double top (low between the two tops), highlighted in pink colour, comes at 80.50. Moving averages and the neckline indicates that region around 80.50 – 80.90 could be an important USDINR support area. Momentum indicators of RSI, MACD and Stochastics have gradually moved towards the oversold territory.

Rupee has started recovering and this was long overdue. Recovery could continue on dollar's persistent weakness. Feel there could be a counter reactive move towards 81.50 – 81.80 before the downside resumes. Dollar importers can commence their hedges – start with vanilla options and can gradually move towards forwards once spot comes below the 81 mark. Dollar exporters have had multiple opportunities and they should be adequately hedged by now. If unhedged and mandated to hedge now, use an optimum mix of vanilla options and forwards.



## Events to WATCH

Jan 16, 15:30  
ZEW Economic Sentiment (Jan)

Jan 18, 15:30  
CPI (YoY) (Dec)

The US Dollar's demise on Thursday helped the EURUSD pair reach 1.0867, its highest level since last April, and put an explosive close to a quiet week. A limited macroeconomic calendar and the large release of the US Consumer Price Index during the first half of the week caused market participants to hold their breath (CPI). According to the data, US inflation increased at a rate of 6.5% annually in December, while the core reading—which excludes volatile food and energy prices—rose 5.7% over the same time period. Both numbers were in line with market expectations while also demonstrating a sustained easing of pricing pressures from the multi-decade highs reached in June 2022. Throughout the week, policymakers at the European Central Bank (ECB) sent out some warnings. The market's expectation that the ECB will keep raising rates for some time saw little support from the euro. The CPI (YoY) and the January ZEW Survey on Economic Sentiment will also be released next week, that investors will keep a close watch on.



EUR/USD comes under pressure soon after hitting fresh 9-month peaks around 1.0870 on Friday. Despite the ongoing knee-jerk, bulls remain well in control of the mood around the pair for the time being. Against that, further north of the so far YTD high at 1.0867 (January 13) should appear the round level at 1.0900 in the short-term horizon. Furthermore, while above the short-term support line near 1.0550, the pair should maintain its bullish outlook. In the longer run, the constructive view remains unchanged while above the 200-day SMA at 1.0308.

## Events to WATCH

Jan 17, 12:30

Average Earnings Index +Bonus (Nov)

Jan 17, 12:30

Claimant Count Change (Dec)

Jan 13, 12:30

GDP (YoY)

Jan 20, 20:30

Retail Sales (MoM) (Dec)

As sellers hold onto the US Dollar amid dovish US Federal Reserve predictions, GBP/USD has recorded the second consecutive week of 2023 in the green. In the past week, the British pound rose by more than 100 pips against the US dollar which was driven by this year's US Federal Reserve interest rate outlook and the subsequent fall of the US Dollar in the later part of the week. Markets expected a reduction in the Federal Reserve's tightening path in the take for the most critical data of the week, the US CPI, and many also predicted a dovish Fed turnaround near the end of this year. The US Dollar Index reached the 102.00 level, recording new seven-month lows, following the release of a weaker-than-expected report on the US CPI. The benchmark US 10-year Treasury note yield crossed the critical 3.50% mark. Also, the UK's November Gross Domestic Product (GDP) figures revealed an unexpected increase of 0.1% contrary to an expected figure of -0.2%. The positive growth figures did not encourage the GBP/USD pair since the nation's industrial sector activities experienced significant declines in November.



GBPUSD settled in green and gained over 1% this week as bears refuse to give up on the US Dollar amid dovish US Federal Reserve expectations which led to a surge in pair second half of the week. Looking at the trend pair could test psychological level of 1.23 in the near term breaking of psychological level could push pair towards 1.25 levels while on the downside breaking of 1.22 levels might led to pair towards 200 days moving average hovering around 1.20 level which should play a role of major support as that is a long-term indicator and lot of people pay close attention towards this. On the daily time frame momentum indicator MACD giving mixed signals while RSI trading at 58, which is considered to be an slight overbought zone.



# ¥ JPY

REPO RATE

-0.10%

GDP

-0.2%

INFLATION

3.8%

UNEMPLOYMENT

2.5%

TRADE BALANCE

¥ -2027B

## Events to WATCH

Jan 18, 08:30  
BoJ Interest Rate Decision

Jan 18, 10:30  
Industrial Production (MoM) (Nov)



During the week, the US dollar strongly declined against the Japanese yen after first attempting to soar higher. It's vital to note that the 127 area, which appears to be an important cluster, is currently under attack from the market. It might be possible to get costs that are substantially lower if we were to break through this area. In fact, the breakdown may show another 1000 pip movement. On the other side, sellers will likely be watching for the first signs of problems if the pair bounces from here, which is highly probable. Remember that the Japanese yield curve control is beginning to break down, and if that happens, the Japanese yen will be the strongest currency available since the bond market still has a lot of catching up to do. After all, the two immediately descended again. Since there is expected to be a ceiling at the 50-basis point mark, traders must keep a watch on the 10-year rates coming out of Japan. It has had one or two piercings. Ultimately, there is a little bit of panic in the market in this circumstance, but it is also feasible that if the traders can start looking for bounces to profit from.

The USDJPY opened at 132.094; it consolidated but fell to the bottom 127.460 level on the last trading day of the week. The pair closed at 127.857 (-3.21%) level compared to the previous week's close. If the pair moves upward it could reach the top at the 50-day Moving Average of 135.791 levels. The support must be at 126.359 level in case the pair depreciates further. If the pair rebounds the first resistance level must be at 132.875. The second resistance level must be at 134.50 level in case the first level breaks. The MACD line moved downward and crossed the signal line. It seems moving away from the signal line may create a new divergence. The pair ended the month at a lower level compared to the previous week close and the price behavior steered to depreciate further. The Relative Strength Index moved down and crossed its 14-day RSI's simple moving average which indicates weakness to the pair.







# BLOG

## Spot Exchange Rate : What Is It?

The foreign exchange spot market can be very volatile where, in the short term, the rates are influenced by speculation and technical trading whereas in the long term various factors like economic conditions and interest rate differentials, etc. unanimously drive the rates. The exchange rate quoted for immediate delivery/settlement of a contract is the spot exchange rate. The spot value date refers to the date of settlement of the spot contract.

The exchange rate for a currency pair for delivery on the spot value date is the spot rate. In general and simpler terms, it symbolizes the price at which the buyer and seller value the foreign currency asset right now. In the forex market, the spot exchange rate is the current rate applicable to the trade completed "on the spot" which means the completion of trade as soon as possible. The foreign exchanges executed at the spot rate are delivered (or settled) on the second business day from the transaction date; therefore, the spot date is represented as T+2 business days. The exception to this is USD-CAD which is settled on the next business day.

For an increased understanding of spot exchange rates, it is also essential to understand the factors that affect them.

The changes in the domestic currency value due to relative changes in the inflation rates of different countries result in exchange rate fluctuations.

An increase in the interest rate brings a larger flow of investment in the country and reduced outflow of investments, thereby strengthening the country's currency.

In the shorter run, demand and supply of foreign currency plays a huge influencing role in exchange rates' movements. Direct pressure is exerted on the exchange rates due to excess foreign currency flows out of the country and vice versa.

The stability and instability of a country's political scenario can affect the strength of a nation and in turn on the domestic currency exchange rate. Changes in government policies and the general political situation can facilitate a position of investment inflows into the country, thereby strengthening the domestic currency.

### **Difference between the spot rate and forward rate**

The spot rate is the exchange rate for a currency pair for a delivery on the spot value date.

On the other hand, the forward rate is the exchange rate for a currency pair for delivery on a specific future date (beyond the spot value date). Forward foreign exchange contract is an agreement to buy or sell a currency at a predetermined future date at a specified currency exchange rate. A better understanding of the spot rate can be established through an example. Suppose that party A makes a spot transaction in the forex market. Party A purchases 1,000,000 EUR versus the USD wherein he is quoted by the broker at an exchange rate of 1.2162, which is the prevailing spot rate for that currency pair. Upon entering a spot trade by party A by deciding to deal at the quoted exchange rate, the trade would be scheduled for delivery in 2 business days. On the delivery date, Party A would purchase 1,000,000 EUR by selling 1,216,200 USD ( $1,000,000 \times 1.2162$ ). However, in the case of the forward foreign exchange, the spot exchange rate would be adjusted by considering the interest rate differential between the currencies involved in the trade and the time gap between forward delivery date and spot delivery date. These adjustments in foreign currency exchange rates due to the differentials in interest rates are called forward premiums or forward discounts.





# Mobile Application: Features

## Live rates

Exact time Live Rates are provided for USD, INR, EUR, JPY, GBP and CNY.

## Forward Calendar

Shows the forward rate you'll receive if you book a contract today for the respective rate to hedge, for both import and export separately.

## Rate Alert

Set Rate alert for different types of transactions and know when the target rate has traded for the first time in forex market.

## Economic Calendar

Stay updated about the economic events taking place round the globe. Also their impact on the currency- high, medium or low.

## Forex Research

Publications- Daily Reports, Premium Research, Daily Trading Calls, News, Case Studies, Weekly Report, Monthly Report, Blogs.



The screenshot shows the 'Corporate Fx' section of the mobile application. It displays a table of currency rates with columns for Currency, Bid, and Ask. The table includes data for USDINR, EURUSD, NZDUSD, AEDINR, JPYINR, CNYINR, and USDCNY. Each entry shows the current bid and ask rates, along with high and low values and a percentage change.

Currency	Bid	Ask
USDINR	73.3575	73.4575
EURUSD	1.1809	1.1810
NZDUSD	0.7027	0.7028
AEDINR	19.9700	19.9790
JPYINR	0.6649	0.6652
CNYINR	11.2023	11.2031
USDCNY	70.3525	71.4275

## FX on Call

Get the best rates as the dealers of Myforexeye do live negotiation with the Bank on a conference call, which includes the client too.

## Order For Forex

This feature enables you to Buy/ Sell Forex and Transfer Money for any purpose.

## Process Forex Transactions

This feature gives you access to Transaction Process Outsourcing service for transactions including Cash, Tom, Spot, Forward, etc for both export and import.

## International Trade Finance

Get access to trade services like Buyer's Credit, Supplier's Credit, Export LC Discounting and Export Factoring.

## Forex Trading

This feature enables you to Buy/ Sell Forex and make money transfer for any purpose.



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