



Forex Market **Insights**
Newsletter

Volume 56 → Jan 28th to Feb 03rd 2023

Exclusively for PDEXCIL members: Complimentary

Myforexeye application access

*TILL MARCH 2023



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%)

Bottom navigation bar: Home, My Plans, **MFE** (Services), Research, Rate Alert



Key Takeaway Summaries

₹ INR

Dollar buying was done by public sector banks on behalf of the Reserve Bank of India (RBI)

€ EUR

EURUSD gained momentum and reached its highest level in 9 months near 1.0930.

£ GBP

Renewed Brexit worries and political jitters in United Kingdom capped the sterling gains

¥ JPY

Bank of Japan has reaffirmed its ongoing belief that yield curve control is necessary

Welcome

Dear Members,

Next Wednesday, the FOMC will announce its decision on monetary policy. It has become increasingly likely that the Fed will slow down its hiking cycle to 25 bps. Market participants worried against the backdrop of falling inflation and signs of a weakening economy.

PCE deflator data for December were largely in line with market expectations and confirmed what we already knew from the CPI data, which is that the peak of inflation is behind us, unless we get new inflation impulses, such as new negative supply shocks or the wage-price spiral getting out of hand.

World stocks rallied and the dollar edged up from eight-month lows on Friday as slowing inflation data raised hopes the Fed can engineer an economic soft landing and reduce its pace of aggressive monetary tightening next week. U.S. consumer spending fell for a second straight month in December, which also showed the smallest gain in personal income in eight months that partly reflected moderate wage growth - both good signs for inflation.

Thank You

Mahesh Sanil
Executive Director

CONTENTS

INR 2

USD 3

EUR 4

GBP 5

JPY 6

BLOG 7



REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
6.25%	0.8%	5.72%	8.3%	\$-23.76B

Events to WATCH

Jan 31, 17:30
Infrastructure Output (YoY) (Dec)

Feb 01, 10:30
Nikkei S&P Global Manufacturing PMI (Jan)

Feb 03, 10:30
Nikkei Services PMI (Jan)

USDINR started of the week opening at 80.94 breaking the 81-level mark but didn't stay below 81 for long as the RBI intervened in the market i.e. dollar buying was done by public sector banks on behalf of the Reserve Bank of India (RBI) in order to increase our FX reserves which were largely exhausted previous year in order to protect the currency from depreciating to 83 levels. Due to the intervention, the USDINR appreciated almost by 50 paise to hit a high of 81.50 and the pair continued its upward trend in the next trading session as well opening at the previous day's high of 81.50 and making a new weekly high of 81.765.



Thursday was a holiday on the occasion of the 74th Republic Day which made up for a week with four working days. The dollar index (DXY) struggled to remain above 102 levels. Since Wednesday we started observing a slight cool-off in the pair but still, it has managed to trade mostly above the 81.50 level and ended the week at 81.5225. The future projections remain the same that we can see more correction in the rupee as all the major currencies against the dollar have appreciated by 5-6% but the rupee has only gained around 1.8% only which hints that it still has some ground for appreciation.

\$ USD

REPO RATE

4.5%

GDP

2.9%

INFLATION

6.5%

UNEMPLOYMENT

3.5%

TRADE BALANCE

-\$61.511B

Events to WATCH

Feb 01, 18:45
ADP Nonfarm
Employment
Change (Jan)

Feb 01, 20:30
ISM
Manufacturing
PMI (Jan)

Feb 01, 20:30
JOLTs Job
Openings (Dec)

Feb 02, 00:30
Fed Interest Rate
Decision

Feb 03, 19:00
Nonfarm Payrolls
(Jan)

Feb 03, 20:30
ISM Non-
Manufacturing
PMI (Jan)



Mixed bag kind of truncated week ending yesterday. One day of good intra-day volatility (high low range of 62 paise) while other days were mostly calm and quiet.

The daily candlestick chart provides some subtle cues – let us evaluate. USDINR made a low of 80.88 before pulling back above 81.50. The 144-day Simple Moving Average (SMA), green line, comes at 81.09; quite close to the recent dollar low. This suggests that it could be an important short term support indicator. Neckline (red dashed line) of the double top formed in Oct-Dec comes at 80.51. There is an unfilled price gap at 79.99 – 80.28 formed on 21-22 Sep, highlighted by blue horizontal lines. Do recall that last year, when USDINR was continuously rising, it had resisted around the 80 mark for quite some time – observe the period of Jul to Sep. This establishes that 80-81 region will be a good medium-term support. Momentum indicators of MACD and Slow Stochastics have given a minor ‘buy’ signal.

Am biased towards some more rupee appreciation, considering persistent dollar weakness. At spot around 81.00-81.20, importers should certainly hedge for 1-2 months using an optimum mix of forwards and vanilla options. Exporters have enjoyed continued rupee weakness and can hold on for a while. If hedge ratios are low or are mandated to hedge, prefer using vanilla options over forwards. USDINR options volatility is low still and hence vanilla options will be economical.

Events to WATCH

Feb 01, 15:30
CPI (YoY) (Jan)

Feb 02, 18:45
Deposit Facility Rate (Feb)

Feb 02, 18:45
ECB Interest Rate Decision (Feb)

Feb 02, 18:45
ECB Marginal Lending Facility

The EURUSD pair ends the week trading at around, at 1.0867. After making a strong start to the week, EUR/USD ended nearly unchanged. Despite reaching its highest point since April above 1.0900 at the start of the week, the EURUSD has found it difficult to gain more bullish momentum. Next week's policy meetings of the Federal Reserve (Fed) and the European Central Bank (ECB) may determine the direction of the pair's next movement. The EURUSD currency pair gained momentum and reached its highest level in nine months near 1.0930 as a result of ECB officials' pessimistic remarks. Both ECB policymakers Klaas Knot & Peter Kazimir expressed support for two more rate increases of 50 basis points (bps) in February and March. Data from the Eurozone released on Tuesday indicated that the region's economic activity increased slightly in the first few days of January, with the S&P Global Composite PMI ticking up to 50.2 from 49.3 in December.



EUR/USD retreats for the second session in a row and revisits the 1.0860 region on Friday. While above the short-term support line around 1.0690, extra gains should remain in store for the pair. Indeed, the continuation of the uptrend now needs to rapidly clear the 2023 high at 1.0929 of January 26 to allow for a test of the weekly top at 1.0936 of April 21 2022. A sustainable break above this level could pave the way for a challenge of the key barrier at 1.1000 the figure sooner rather than later. In the longer run, the constructive view remains unchanged while above the 200-day SMA, today at 1.0309.

Events to WATCH

Feb 01, 15:00
Manufacturing PMI (Jan)

Feb 02, 17:30
BoE Interest Rate Decision (Jan)

Feb 03, 15:00
Composite PMI (Jan)

Feb 03, 15:00
Services PMI (Jan)

GBPUSD ended the week almost flat, despite the continuous downtrend in dollar index. Renewed Brexit worries and political jitters in United Kingdom capped the sterling gains. Persistent weakness in American currency could push the pair further higher but on the other side British private-sector economic activity decline at its fastest rate in 2 years this month, a survey released in the start of the week and market participants expect the British economy's slowdown to end the Bank of England tightening cycle soon, in a move which could put pressure on the sterling in the short-term. This is one of the most critical week ahead for the forex markets as US Federal reserve, ECB and BoE is to hike their interest rates apart from the interest rate decisions we have UK Manufacturing PMI and US ISM Manufacturing PMI in the mid of week and going ahead UK Services PMI is set to release along with US job data which is forecasted to come lower by 38k compared to the previous print of 220k.



GBPUSD traded between the range of 1.2260 – 1.2447 but ended the week almost unchanged, Sterling clinched the fresh seven month high at the start of the week versus US dollar but couldn't sustain at higher levels and again corrected from the critical resistance of 1.2450. It seems pair gathering strength to break above the resistance and to take a move towards June 2022 high of 1.2599 failed to break critical resistance of 1.2450 might led pair towards weekly low of 1.2250-60 breaking of these levels would open the door for the pair towards 50 days moving average which is near to 1.2160 levels. On the daily time frame momentum indicator MACD giving mixed signals while RSI trading at 62 which is considered to be an overbought zone, slight pullback is expected.

¥ JPY

REPO RATE

-0.10%

GDP

-0.2%

INFLATION

4.0%

UNEMPLOYMENT

2.5%

TRADE BALANCE

¥ -1448B

Events to WATCH

Jan 31, 05:00
Jobs/applications ratio (Dec)

Jan 31, 05:20
Retail Sales (YoY) (Dec)

Jan 31, 05:20
Industrial Production (MoM) (Dec)

Feb 03, 06:00
Services PMI (Jan)



The US dollar initially retreated somewhat during Friday's trading session, falling under the 130 mark. The traders must interpret this as a scenario in which the market is attempting to form some sort of base since the 130 level is a large, round, psychologically significant figure that people will want to pay particular attention to. Remember that the Bank of Japan has reaffirmed its ongoing belief that yield curve control is necessary. The Japanese Yen will be under a lot of pressure if the market experiences any US dollar strength, and this pair should rise if interest rates rise globally as well. If on the other side, the market reverses and breaks below the 127 level, it sets up a massive air pocket in this pair that many traders will be watching closely. In any case, traders are at a critical juncture, and certain decisions must be taken soon. Meanwhile, market participants must be extremely agile and view this as a choppy and range-bound type of short-term market.

The USDJPY opened at 129.568; traded sideways and reached the higher 131.120 level during the week. The pair closed at 129.832 (+0.20%) 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 132.335 levels. The support must be remaining the same at the 127.22 level in case the pair depreciates. If the pair rebounds the resistance level must be at 132.875. The MACD line continued moving upward parallel to the signal line. It seems moving further above and along with the signal line may expand the divergence. The pair ended the month at a higher level compared to the previous week's close and the price behavior steered to trade sideways further. The Relative Strength Index continued moving upward to its 14-day RSI's simple moving average which continues indicating strength to the pair.





BLOG

Foreign Exchange Risk Management Is Decisive: Why Is It So?

Rationalizing FX Risk Management

Foreign exchange exposure refers to the responsiveness to a firm's cash flows to the changes in exchange rates. So in order to plan out Foreign Exchange & Risk Management strategy, it is first important to understand the various types of foreign exchange exposure that are

- Transaction Exposure
- Economic Exposure
- Translation Exposure

Transaction exposure component of foreign exchange rates is referred to as a short term economic exposure. Transaction risk is the risk of an exchange rate changing between the transaction date and final settlement date. It can result to either a gain or loss at the conversion stage.

Economic exposure refers to a long-term effect of the transaction exposure. It occurs when firms are continuously affected by an unavoidable exposure to forex over the long term.

Translational risk is a major threat if one's organisation is conducting business in foreign markets. It occurs when your company has any assets and liabilities denominated in a foreign currency which may shift in value due to changes in exchange rate.

Operating exposure is caused by unexpected changes in exchange rates on an individual company's future cash flows from foreign operations.

Factors to Consider

In order to plan FX risk management, it is imperative to carefully assess FX exposure to foreign exchange rate risk. This assessment can be done in the following ways-

- Figure out proportion of business relating to imports or exports or both
- Identify the currencies involved
- Analyze the timing of payments

- Evaluate impacts of adverse rate movement on profitability
- Understand if the level of overseas business is likely to change

Check if the payment and receipt of currency is made on the same foreign currency

Check if there is any possibility to mitigate exchange risk by using a foreign currency bank account.

Conclusion

It is often tempting to defer a decision in order to implement foreign exchange risk management strategy, perhaps in the hope that rates may move in one's favour in the short term. Historically it has been observed that currency markets have been extremely volatile and unpredictable. Therefore once a conclusive strategy has been formulated, it should be implemented so as to safeguard the profits. Thus foreign exchange and risk management is critical for any corporate having forex exposure and an internal forex policy should be formulated to mitigate the risk related to any forex transaction.



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 rates are listed for various currency pairs including USDINR, EURUSD, NZDUSD, AEDINR, JPYINR, CNYINR, and USDCNY. Each entry includes 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.



Gaurav/Prabjeet
8860663372 / 8860646603
advisory@myforexeye.com



Ms. Lavany Saxena
9892886912
pdexcilmumbai@gmail.com