



Forex Market **Insights**
Newsletter

Volume 83 → Aug 5th to Aug 11th 2023

Exclusively for PDEXCIL members : Complimentary

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***TILL MARCH 2024**



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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%)

Key Takeaway Summaries

₹ INR

Despite of Fitch downgrading the credit rating of US from AAA to AA+, not much impact was seen.

€ EUR

The EURUSD pair descended to 1.0911, it's lowest this month, as the US Dollar sustained its three-week leadership

£ GBP

BoE increased the interest rates by 25 bps only. But the non-committal outlook regarding further rate hikes from Governor Bailey pushed the pair downwards.

¥ JPY

The yen fell as BoJ's policy tweak faded. Japan's Economy Minister, Goto said that the move was only to make the monetary easing more sustainable.

Welcome

Dear Members,

U.S. stocks began August on a down note after a strong July, impacted by rising Treasury yields and an unexpected U.S. credit rating downgrade. Fitch Ratings lowered the U.S. government debt rating from AAA to AA+ due to governance and fiscal challenges. The 10-year U.S. Treasury yield rose to nearly 4.20% before settling at about 4.05% post jobs report.

European stocks also fell, with the STOXX Europe 600 down 2.44%, driven by higher U.S. bond yields and disappointing earnings. Eurozone inflation eased to 5.3% in July from June's 5.5%, but remained above ECB's 2% target, even in Germany and France. The Bank of England raised its rate to 5.25%, projecting sustained high rates.

Amidst a global risk aversion triggered by the U.S. credit rating downgrade, Japan's stocks faced a downward trajectory throughout the week. The Bank of Japan's persistent commitment to accommodating policies and a substantial interest rate gap with the U.S. contributed to the yen's depreciation, reaching around JPY 142.6 against the U.S. dollar compared to the previous week's 141.1. Chinese stocks experienced an ascent as Beijing's supportive measures countered worries stemming from disappointing economic indicators. The U.S. credit rating cut generated cautious sentiment in the markets, influencing trading dynamics.

Thank You

Mahesh Sanil
Executive Director

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Events to WATCH

Aug 10, 5:30
Interest Rate
Decision

Aug 11, 13:00
CPI (YoY) (Jul)

We saw the USDINR pair again marching towards the 83-level this week. Starting the week at 82.225, it again entered the region of 82.70-80 from where we have seen the pair reversing its trend to come down. It also touched 82.84(weekly high) which is also 2-month high level previously seen in the end of May. We also witnessed a gain of almost 1% in the dollar index ending the week high at 102.57. The dollar strength was largely supported by the ADP Nonfarm Employment data which came in higher at 324k from the expectation of 189k which is basically more than 1.5 times from what was expected. Despite of Fitch downgrading the credit rating of US from AAA to AA+, not much impact was seen as it was already somewhat expected according to Fitch's previous reports. All eyes were on the Non-Farm Payrolls Data to get the future outlook of the Fed regarding its ongoing rate hike cycle.



But after the JOLTs coming in red, ADP coming in green and Initial Jobless Claims coming exactly as expected, it left the market participants scratching their heads while assessing about the Non-Farm Payrolls data. On Friday, finally the NFP numbers were released and we can call it a mix data because Nonfarm payrolls were in red (lower than expected) whereas Unemployment rate & Average hourly earnings were in Green (higher than expected). Indian's FX Reserves again dropped almost by 4 billion dollars to 603.87 billion dollars. Our view is that the USDINR pair is not likely to breach 83 and chances are more for a downtrend from these levels. Key events for the upcoming week are India's Interest Rate Decision, US CPI (YoY) (Jul), Core CPI (MoM) (Jul) & PPI (MoM) (Jul).

Events to WATCH

Aug 08, 18:00
Trade Balance (Jun)

Aug 10, 18:00
CPI (MoM) (Jul)

Aug 10, 18:00
Core CPI (MoM) (Jul)

Aug 10, 18:00
CPI (YoY) (Jul)

Aug 11, 18:00
PPI (MoM) (Jul)

Aug 11, 18:00
Core PPI (MoM) (Jul)



During the past week, the Indian rupee experienced a decline of more than 50 paise against the US dollar, following losses in other Asian currencies. This drop was triggered by a surge in long maturity US yields after Fitch downgraded the US government's credit rating.

Notably, we observed the significance of gaps in the USD/INR exchange rate several times. Recently, a new small gap up was formed between August 2nd and 3rd, ranging from 82.63 to 82.66. Additionally, there is an unfilled gap that occurred on July 27th and 28th, ranging from 82.03 to 82.19. Currently, our outlook is bearish as the exchange rate approaches the long-term resistance level of 82.80-90. We anticipate the pair to decline from these levels. It's worth noting that the 144-day moving average is close to 82.20, and there are unfilled gaps on the downside.

Furthermore, on the daily time frame, momentum indicators such as RSI and Stochastics have entered the overbought zone. On Thursday, a bearish candlestick pattern called a "shooting star" was formed, further indicating a potential downside movement in the pair.

For importers, it was advised in the previous reports to hedge their payments, and if they haven't done so already, they can consider waiting for the exchange rate to reach around 82.20 before hedging their short-term payables. On the other hand, this seems to be a favorable time for exporters to increase their hedge ratio at 82.70 or higher.

Events to WATCH

Aug 08, 11:30
German CPI (YoY) (Jul)

Aug 08, 11:30
German CPI (MoM) (Jul)

The EURUSD pair descended to 1.0911, it's lowest this month, as the US Dollar sustained its three-week leadership. This was driven by a gloomy market sentiment tied to weak growth figures and a tight US labor market. Despite briefly rebounding to 1.1041 after mixed US employment data, EURUSD closed at 1.1008. The Eurozone's second quarter GDP grew 0.3%, but S&P Global PMIs signaled concerns with manufacturing at 42.7 and Services PMI lowered to 50.9, barely in expansion. Retail Sales for June fell 0.3%. As in the United States, the July Nonfarm Payrolls (NFP) displayed a lower 3.5% unemployment rate, alongside the addition of 187K new jobs, and 4.4% YoY wage growth. The US Dollar experienced a minor dip but steadied as job growth slowed, while falling unemployment indicates a tight market. Consequently, the Federal Reserve (Fed) might continue upholding its ongoing policy of monetary tightening. Major key events to follow in the upcoming week include German Industrial Production (MoM) (Jun), German CPI (MoM) (Jul), and German CPI (YoY) (Jul).



The EURUSD opened at the 1.1019 level. The pair fell continuously this week and traded in a range of 1.0949-1.1045. As per the daily chart frame of the pair, it can be seen that the pair broke below the 1.1000 levels, the major psychological level. The pair experienced maximum volatility in the last trading session of the week, due to the NFP release of the U.S. economy, and breached the resistance once again as it made a weekly high level of 1.1045 and was able to close at 1.1008. If the pair manages to move above the resistance, the R1 could be to the 1.1070 level. As per the RSI Indicator, the signal (yellow) line is very close the RSI 63 (purple) line, suggesting the uptrend of the pair. The MACD indicator also confirms the action of RSI as we can see the MACD (blue) line marching downwards after the bearish crossover on the first trading session of the week. On the downside, the 1.0833 level, will act as a major support level if in case the EURUSD falls.

Events to WATCH

Aug 11, 11:30
GDP (YoY) (Q2)

Aug 11, 11:30
Manufacturing
Production
(MoM) (Jun)

Aug 11, 11:30
GDP (MoM)
(Jun)

Aug 11, 11:30
Trade Balance
(Jun)

Aug 11, 11:30
GDP (QoQ)
(Q2)

Sterling fell continuously during the whole week, only to revive a little in the end. GBPUSD started the month by opening at 1.2872 levels. The pound fell on Tuesday despite the lower U.S. ISM Manufacturing PMI. The data sparked fears of recession but didn't affect the dollar index, due to its safe haven status. Fitch downgraded the credit rating of the U.S. from AAA to AA+, but it didn't have a major impact on USD. With the upbeat release of ADP Non-farm employment change, U.S. 10-year Treasury Bond Yield surged and continued its uptrend the next day too as it reached a 9-month high level of 4.19 %. BoE increased the interest rates by 25 bps only. But the non-committal outlook regarding further rate hikes from Governor Bailey pushed the pair downwards. The pair fell to a 2-month low at 1.2620 levels. This led to a gain in the dollar index, as it reached a 3-week high of 102.84 levels. However, sterling revived towards the end of the week and ended the week by closing at 1.2685, after the disappointing release of Non-Farm Payrolls that sent the dollar index lower to 101.74 level.



For the past three weeks, the bears have been dominating the market, the pair decline about 100 pips during the week. During this time, the pair broke below the important support level at 1.2650, but couldn't stay there for long and quickly rebounded to 1.2750. The British pound's performance has been quite volatile due to the release of job data on Friday, which turned out to be weaker than expected. Currently, the pair is trading slightly above the 50-day moving average, and if it manages to stay above this level, there is a chance it could move towards a significant resistance point at 1.30. However, there's a possibility of a bearish scenario if the pair comfortably breaks and stays below the 1.2650 region. This could signal a potential significant downside move in the market. On the daily time frame momentum indicators, RSI and MACD, are sending mixed signals, which adds to the uncertainty in the market.

¥ JPY

REPO RATE

-0.10%

GDP

0.7%

INFLATION

3.3%

UNEMPLOYMENT

2.5%

TRADE BALANCE

-¥ 43.1B

Events to WATCH

Aug 08, 05:00
Household Spending (YoY) (Jun)

Aug 08, 05:00
Household Spending (MoM) (Jun)

Aug 10, 05:20
PPI (MoM) (Jul)

Aug 10, 05:20
PPI (YoY) (Jul)



USDJPY started the week on a positive note by opening at 140.89 levels. The pair rose towards the start but retraced its path downwards towards the end. The yen fell as BoJ's policy tweak faded. Japan's Economy Minister, Goto said that the move was only to make the monetary easing more sustainable. Moreover, the release of bullish ADP Non-farm employment change sent the U.S. 10-year Treasury Bond Yield to a 9-month high level of 4.19%. This upsurge in the bond yield boosted the growth of the pair, and it touched the 143.88 level, which is a 4-week high. The Japanese 10-year Government Bond Yield also hit a 9-year high of 0.65%, as a result of which BoJ intervened in the bond market by buying the bonds to stop the yield curve from rising. As a result of the intervention, the pair fell to 142.06 levels. Further, on Friday the NFP data of the U.S. came bearish, which led to a fall in the dollar index to 101.74 levels sending the 2-year and 10-year U.S. Treasury Bond yields lower by 17 bps to 4.77% and 4.03% respectively. The pair ended the week at 141.68.

USDJPY opened at 140.89 level, this week. The pair was in a continuous uptrend this week, however, it recovered a little in the last trading session of the week. During the week, it traded in a range of 140.68-143.88. As per the daily chart frame of USDJPY, the support level can be seen at 139 (yellow line), however, the yen in the last trading session has made some gains. The next support can be seen at the 137.29 level which previously was the resistance. As per the MACD indicator, it can be seen the MACD (blue) line is seen moving upwards and is very close to the 0 level as well indicating a sell signal. A bullish crossover might happen, indicating the bullishness of the pair. Any move above the 0 level, will result in the upward trend of the pair. RSI 14 (purple) Line is above the signal (yellow) line, confirming the action of MACD. However, a move to the 144 level can be predicted on the upside, as we can see major resistance (blue line) at the same level.





Derivatives In Currency Trading And Why?

What is Currency Trading?

Due to the advancement of technology and **online currency trading** platforms and a reduced barrier to entry, Forex or **currency trading** has witnessed a surge in individual investors' participation. **Currency trading** entails the sale and purchase of foreign currencies with the objective of making profits from the volatility of currency rates. One of the most critical benefits that currency trading offers is liquidity which allows investors to easily enter and exit a position within a fraction of a second in any major currency pair. However, the risks associated with **forex trading** that can get further elevated in the absence of a right trading strategy cannot be neglected. Understanding the fundamentals that drive currency fluctuations and technical analysis of the currency pairs can increase the possible returns from **forex trading**, making it more profitable.

What are Currency Derivatives?

Financial contracts or financial instruments whose value is linked to an underlying asset's value is called derivatives that can be used for multiple purposes, including hedging. In the case of currency or Forex trading, currency pairs are the underlying assets. **Forex risk management**, speculation, and leveraging a position are the varied purposes for which derivatives are found useful.

Currency derivatives are forwards, futures, swaps and options contracts using which one can buy or sell specific quantities of a particular currency pair on a predetermined future date.

Currency Forward Contracts

Forward contracts are traded over-the-counter with an authorized counter-party wherein its terms, including the exchange rate, size, currency pair, settlement process and due date, are set as per the agreement between the two parties involved. The forward contracts involve the exchange of currencies at a predetermined rate at a specified date in the future that extends the benefit of enhanced protection against unfavorable forex rate volatility.

Currency Future Contracts

An agreement between two parties to exchange currencies at a specified date in the future utilizing a predetermined exchange rate is known as future contracts. Since they are traded on an exchange, they are standardized and do not expose the market participants entering a future contract to counterparty risk. The parties that are involved in the future contracts are under an obligation to fulfil the commitment of buying and selling the specified currency pair. An initial margin is kept as collateral in case of future contracts to establish the future position where margins are required of all the participants.

Currency Option Contracts

The option contracts have some similarities to futures contracts since both entail an agreement to exchange a currency at a specified date in the future at a predetermined exchange rate. However, the options contracts differ on account of flexibility as they don't impose an obligation for the fulfilment of the contract on the parties involved. One can either fulfil the contract or withdraw from it depending upon whether the forex market movements are favorable to them.

Currency Swaps

Swaps are over-the-counter contracts that do not trade on exchanges and are generally utilized between financial institutions or businesses rather than by retail investors. They are customized to the needs of the parties involved in the swap contract. Swap transactions refer to the purchase in the spot market and sale in the forward market or sale in the spot market and purchase in the forward market, which involves simultaneous borrowing and lending of two different currencies between two different investors. The funds available in the currency withheld by the participants can be utilized to pay off their obligations that are denominated in a different currency.



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

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