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Forex Market Insights

Newsletter

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Welcome

Dear Members,

Wall Street and global stocks slid continuously during entire last week including Friday, with government bond yields and the dollar holding near recent peaks, as higher-than-forecasted US inflation restricted a worst third quarter for world markets. In the first nine months of 2022, Wall Street struggled continuously for three straight quarterly declines, the longest losing streak for the S&P at 3,585.62 while the Nasdaq at 10,575.62 ahead of the Great Recession and the Dow's longest in seven years.

On the currencies front, cable pair was driven to all-time lows of 0.8957 in the beginning of this week on a combination of dollar strength and the government's plans for tax cuts funded by borrowing. The DXY index after hitting a 20-year high last week at 112.17 has risen about 17% this year.

In the treasury yields, European government bond yields fell, while Germany's 10-year yield was virtually flat at 2.118%, compared with Wednesday's peak of 2.352%, an 11-year high. U.S. Treasury yields gained modestly. On the domestic front, like other emerging central banks, RBI also raised repo rate by 50 bps to 5.90% to maintain a gap between US and domestic rates in order to eliminate further losses in the domestic currency.

Thank You

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The week started off with the USDINR pair trading high at 81.55 compared to its previous week's close at 80.99. The rupee stabilized on Tuesday in a constrained range of 34 paise and ended the day at 81.58 versus the dollar. In early trade on Wednesday, the rupee lost 40 paise to reach a record low of 81.93 against the US dollar as the local currency suffered from the strengthening of the US dollar and a general investors' risk aversion. In addition, a downward trend in local equities and considerable outflows of foreign funds reduced investor interest. Investors were focused on the RBI monetary policy meeting outcome on Friday throughout the entire week.

The dollar index was also high at 114
week but adjusted in a downward traj
of the week falling as low as 111.
Thursday, the dollar index had the
ranging at 114.78 for the high and 112.
Friday, the 50bps rate hike was announ
to which the Rupee appreciated trading
very short time and again it bounced
81.34. For the next week, some of th

The Indian rupee is likely to remain volatile due to the strong dollar rally, risk aversion in the markets amon
Monetary Policy Committee announced a 50bps rate hike after which the interest rate rose from 5.40% to 5
chart, the local unit started the week under pressure with a gap up opening at 81.55 on (26-Sep) compared
at 80.99 (23-Sep).

Over the week, the pair traded higher with USDINR -hitting an time high at 81.95 (28-Sep) which implies the
paise since the beginning of the week. The Indian Rupee still remains well placed in comparison to other As
Chinese Yuan and Korean Won. As the dollar index cooled off along with RBI MPC market activity, one can e
the USDINR pair in the next week on the downside. RSI is in the oversold region above 70 along with expect
MACD line and the signal line.

The EUR/USD pair got off to a rough start this week, hitting a new 22-year low of 0.9535. However, the pair changed direction in the middle of the week, posting significant gains before settling at roughly the 0.9780 level. According to official figures released on Friday, consumer prices in the Eurozone increased by a record 10% in September as inflation hit double digits as a result of surging energy costs brought on by Russia's war in Ukraine. The ECB might be forced to pursue even more aggressive rate hikes now that both German and Eurozone CPI have risen to 10% on an annual basis, which in theory should be good for the euro. However, given the severity of the Eurozone's stagflation and the importance of the energy crisis, if the ECB embarks on an aggressive hiking cycle, there is a risk that the recession would worsen. The manufacturing PMI, PPI(YoY),

Services PMI, and Retail Sales are a few crucial events in the forthcoming week that investors will pay a
chart the Euro in an upward direction.

The Euro fell during the week once more, although it also started to recover. It appears possible at this mor
aiming for a quick comeback. Since there was a lot of buying near 0.95, that area appears to be a decent s
the upside, the parity level would be a barrier because the 50-day moving average trades there. In the en
little concerned because we were a little oversold. Although there may be a modest improvement, the
experiencing general difficulties, and the Federal Reserve is continuing to tighten policies on the other si
painful again for the pair. Momentum indicator MACD giving bullish signal while RSI trading in a slight overs

The British pound has had a very unpredictable week, after the release of the extremely controversial mi unfavorable reaction to the mini-budget on sterling was compounded by the lack of liquidity during t resulting in a loss of nearly 500 pips for GBP/USD in a few hours. GBP/USD reversed course and climbed Friday after dropping to a fresh record low of 1.0340 at the start of the week. The British government's d increase public borrowing has sparked concerns that the country's fiscal strategy will lead to an unsustain economy and a harsh gilt sell-off. On Friday, the annualized Gross Domestic Product growth for the secon by the UK's Office for National Statistics from 2.9% in the flash estimate to 4.4%, maintaining the pair's bulli its bullish momentum just before the weekend, the pair nevertheless managed to close the week in t government made it clear that they have no intentions to change the mini-budget, and some estimates inc financial relief afforded to people by tax cuts and energy price limitations will be outweighed by rising mor for the next week are Manufacturing PMI (Sep), Composite PMI (Sep) and Services PMI (Sep)

Cable remained volatile around the 61.8% Fibonacci retracement, while tracing 40 pips nervous towards crucial level of 1.1200 figure in the end of the week. Nevertheless, bears entered around the critical level and moved the asset dipping towards its one day low, before regaining some ground. It is important to b pound holds on to downward bias. In addition, the pair continues the trend till it breaches the crucial sup

The USDJPY started the week with continuing advanc highest level of 144.904. The pair consolidated and end The US dollar has gained ground against the Japanese Y of the general clamorous conduct that is still there. intervention by the Bank of Japan has had a significant either case, central-bank initiatives frequently fail over t the 145-level breach. If the pair does break over that le completely new realm. The market is still bullish, but it far USDJPY has gone in such a short period of time. Afte the year at the level of 113. The 140 level below should b so if the pair were to decline below that level, we mi downturn. The investors will be focusing on the numb ISM Manufacturing PMI, Japanese Services PMI, and Hou

The USDJPY started the week at 143.358 and the daily chart shows the consolidation. The focus will be on the strong resistant level of 145.902, if it breaks the pair may mark new heights. We cannot rule out a decline in the pair as witnessed volatility in the previous weekly session. We may experience a major pullback if the pair goes below the major support of 140.35 level. The correction could touch the bottom at the 50-day Moving Average of 138.80. The MACD line and the signal line converge and may initiate a new trend. The pair ended the week at 144.748 showing price behavior is upwardly

Managing Foreign Exchange Risk Is Essential For Hedging?

is a financial risk which rrency is converted into saction. The unfavorable ead to a lower value of oted in the domestic ernational markets. All h international markets gn exchange risks. The rkets fluctuate due to beyond the control of a hese risks have to be ting prices to the clients

ent US China global trade ncertainties due to UK rror attack on India etc ns in the currencies and levels for high volume aling in currency is highly expert who tracks the ets on a regular basis to manage them. The ad will be affected with ady the uncertainties due

Though some risk aversion assets like Gold, Japanese Yen, Swizz Franc have seen appreciation during such times, but in all it calls for better foreign exchange risk management.

Why manage currency risk?

Managing currency risk helps protect the cash flow both inflow and outflow along with the profit margins, which in turn helps to assimilate financial budgeting and forecasting. Once the cash flows are determined, it becomes easier for plan for the future and work around the costing accordingly. With clarity around finances, the corporate is in a better position to understand the borrowing capacity especially when expanding from growth perspective. Every change in currencies, affects the balance sheet which is turn affects the health of the corporate. Thus business benefits are many for effectively managing the foreign currency risks.

How does one go about managing forex risk?

The first step towards managing forex risk is to

The corporate policy helps risk which the company i with key benchmark level Once the cash flows is in understanding which cur affect which portion of important as many factors Periodic reviewing of the o pin pointing the risks are with the clients (be it bu exposure before the execu should be understood. Th can be determined accord occur due to time gap bet of the contract and the a often than not, these risks as they can he hedged us instruments. Thus understa hedge is important. For policy is easy but to revie key with the ever chang markets..

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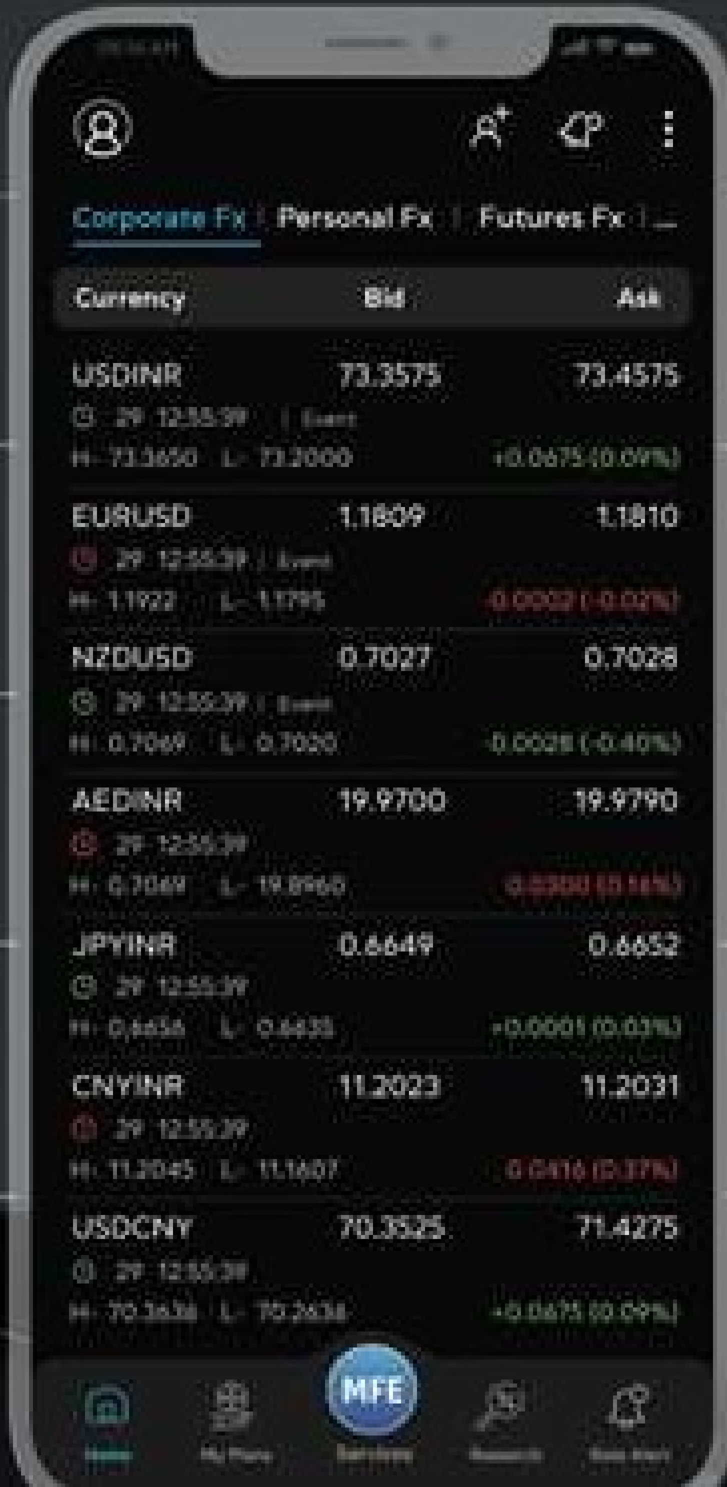

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