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Simplifying Forex

PDEXCIL

Forex Market Insights

Newsletter

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Exclusively for PDEXCIL members: Complimentary

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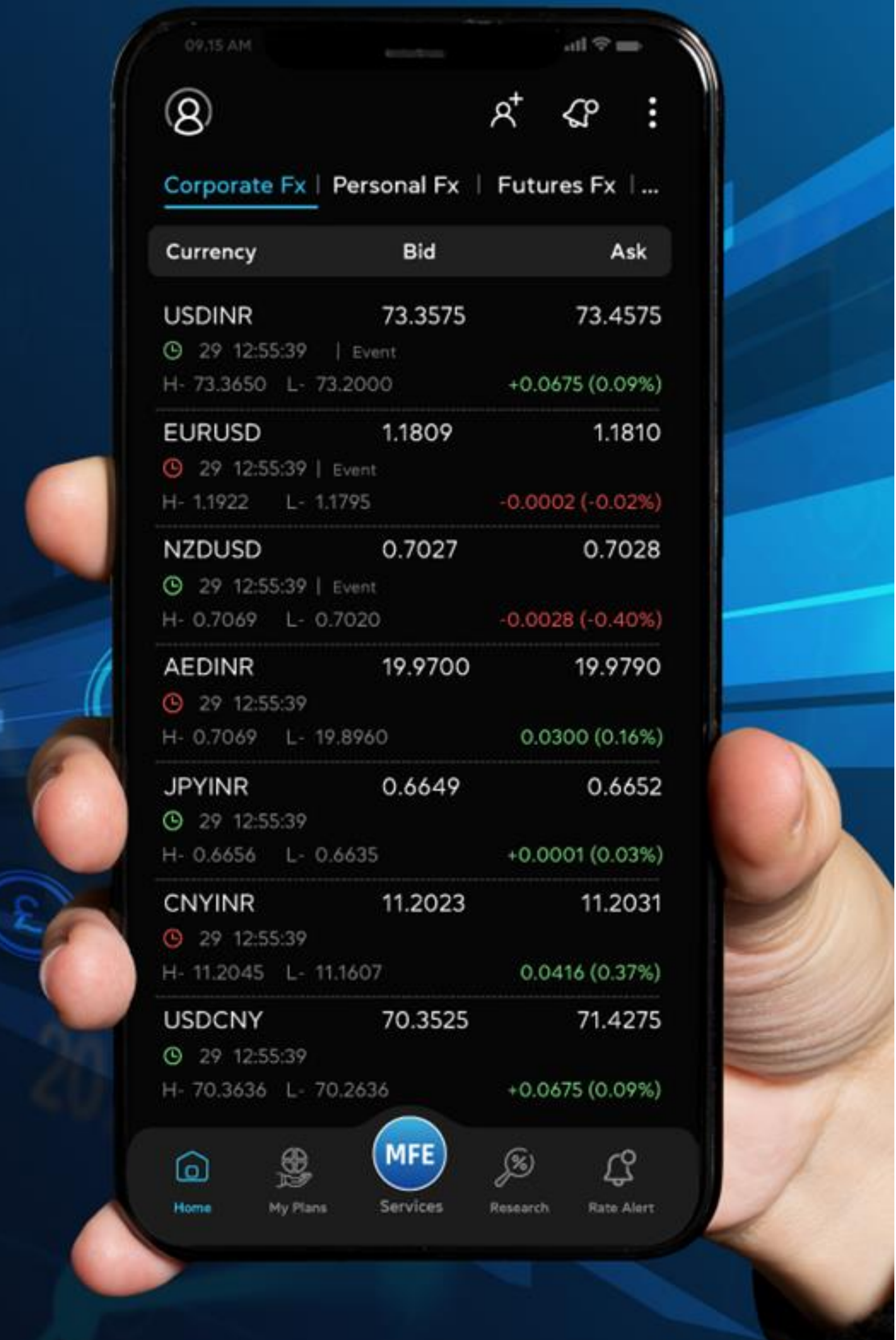

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Welcome

Dear Members,

Boris Johnson has been gaining attention in his bold bid to return as UK PM, though there is difference of opinions among his colleagues. The U.S. economy continuously slowing, wherein tighter monetary policy is certainly starting to impact some key sectors though Industrial production came positive for September, but there are signs of slower growth ahead, while regional manufacturing surveys support this loss of momentum.

Meanwhile, the real estate sector has been significantly affected by rising interest rates, while the leading Economic Index points to a recession in the coming year. Globally there were more evidence of divergent economic trends as consumer inflation remaining rapid and consumer spending staying subdued. Inflation surprised to the upside in the UK, Canada and New Zealand.

On the domestic front, since slipping below the 80-per-dollar level about a month back, the rupee depreciated to hit a record low of 83.29 last week despite the RBI's providing support for rupee depreciation. The major data awaited in the coming week is New Home Sales, Q3 Real GDP and Personal Income & Spending from US while U.K. PMIs and European Central Bank release on Thursday.

Thank You

Mahesh Sanil
Executive Director

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Key Takeaway Summaries

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Geopolitical tensions between the US, China, Ukraine, and Russia, that might further harm the currency over time

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Everything revolved around the American Dollar and whether or not speculators chose to purchase or sell the USD

£ GBP

Another eventful week in UK politics saw a roughly 300 pip movement in the GBP/USD currency pair

¥ JPY

As purchasing "unlimited bonds" equals printing "unlimited money," the supply of Yen will continue being a significant drag on the exchange rate

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INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.9%	-1.4%	7.41%	6.4%	$-23.872B

Events to WATCH

Oct 28 17:00
FX Reserves, USD

The current movement in the rupee is artificial and it won't last very long. However, there are additional aspects, such as the geopolitical tensions between the US, China, Ukraine, and Russia, that might further harm the currency over time. Given RBI's erratic mood swings, this week is just somewhat important, so it is advisable to steer clear of any large wagers. However, USDINR Spot remains under pressure. USDINR started the week at 82.35 (17-Oct) and the rupee hit a new all-time low at 83.29 (20-Oct) and managed to close at 82.6750 (21-Oct). The pair has a good chance of breaching the 83.50 level if breaks out above 83.35 in the next week.

The currency might be forced toward 81.50 levels if the main support, which is located at 82.30 levels, is broken. However, losses were limited as a result of an alleged RBI intervention yesterday. The assumption that the Fed might keep raising rates at its next sessions caused the dollar to gain ground against its key counterparts. UK PM Liz Truss announced her resignation, which caused volatility in the pound. The US government's 10-year yield rose to its highest level since late 2007, as Fed officials kept up their tough rhetoric on inflation. The 10-Y Treasury yield touched 4.29%. Brent crude was almost flat and traded at $92.41 a barrel. US WTI crude was at $84.28.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.25%	-0.6%	8.2%	3.5%	$-67.398B

Events to WATCH

Oct 24, 19:15
Services PMI (Oct)

Oct 25, 19:30
CB Consumer Confidence (Oct)

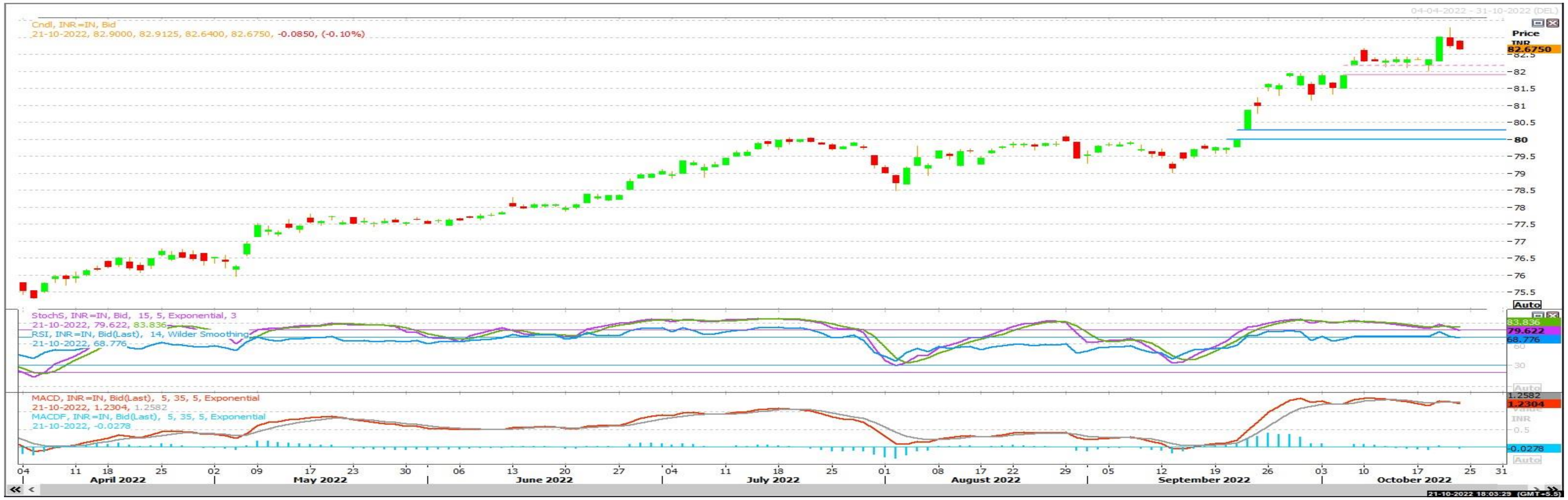
Oct 26, 19:30
New Home Sales (Sep)

Oct 27,18:00
GDP (QoQ) (Q3)

Oct 27,18:00
Core Durable Goods Orders (MoM) (Sep)

Oct 28,18:00
Core PCE Price Index (MoM) (Sep)

Oct 28,19:30
Pending Home Sales (MoM) (Sep)



Our beloved rupee declining to all-time lows is becoming a regular phenomenon. With surging dollar bond yields and consequently super strong dollar index, weakness in other currencies is a natural extension. In fact, rupee has been an outperformer, weakening less than other comparable currencies like Chinese Yuan, South Korean Won, Thai Baht, Malaysian Ringgit, etc.

At a time when hyper-inflation and geo-political factors are dominating financial markets, participants will rarely focus on technical factors. Nevertheless, let's evaluate USDINR daily candlestick chart. The price up gap (pink horizontal lines) formed at 81.905 (6Oct22) – 82.17 (7Oct22) is partially filled. The other price up gap at 79.99 (21Sep22) – 80.28 (22Sep22), highlighted by blue horizontal lines is yet to be filled. Continuous price rise has sent the momentum indicators of RSI, MACD and Slow Stochastics into the overbought territory.

No sense in offering a directional indication. Focus should be on adhering to one's risk management policy. Exporters should maintain adequate hedge ratios – market levels are extremely comfortable and one should capitalize. Exporters should avoid keeping large unhedged exposures in anticipation of more rupee weakness. Extremely testing times for dollar importers. Vanilla options are the best hedging instruments now. Option volatility is high and as such, option premium cost will be expensive. Dragons are rarely tamed with fishing nets.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
1.25 %	0.8%	9.9%	6.6%	€-50.938B

Events to WATCH

Oct 24, 13:30
Services PMI (Oct)

Oct 27, 17:45
ECB Interest Rate Decision (Oct)

Oct 27, 17:45
Deposit Facility Rate (Oct)

Oct 27, 17:45
ECB Marginal Lending Facility

The EUR/USD pair settled at 0.9860 on Friday, continuing its consolidation phase for a third week in a row. As usual, everything revolved around the American Dollar and whether or not speculators chose to purchase or sell the USD. On Monday, a sense of confidence kept the dollar under selling pressure and helped the EUR/USD pair reach a weekly high of 0.9875. Wall Street increased its gains on optimism that the US economy will continue to be resilient to the global crisis, while government bond yields, which often indicate worries about inflation and growth, stayed constant. Things started to change on Wednesday when the core reading remained at 4.8% as originally projected but the UK, EU Consumer Price Index was verified at 9.9% YoY in September. Worldwide monetary policy tightening has increased the likelihood of a global recession while doing nothing to control inflation, which has remained persistently high. Because of the record CPI, central banks, especially the US Federal Reserve, will continue to raise interest rates until inflation declines to more manageable levels. Market participants hurried to price in an economic downturn as a result. While US Treasury bond yields rose to levels last seen in 2008, stocks fell.

Nothing seems to have changed much for the EUR/USD pair and the formation of a symmetrical triangle on the daily chart also points to the neutral bias. This makes it prudent to wait for a sustained move in either direction before positioning for the near-term trajectory. Meanwhile, any subsequent fall is more likely to find decent support near the 0.9700 mark, representing the lower end of the symmetrical triangle. A convincing break below could drag the EUR/USD pair back towards the last week's swing low, around the 0.9630 region. This is closely followed by the 0.9600 mark, which if broken will make spot prices vulnerable to retesting over a two-decade low, around the 0.9535 region touched last month. On the flip side, positive momentum back above the 0.9800 mark might continue to meet with a fresh supply near the symmetrical triangle resistance, currently around mid-0.9800s. Some follow-through buying should allow the EUR/USD pair to reclaim the 0.9900 round figure. The latter coincides with the 50-day SMA, which if cleared decisively might trigger a short-covering rally. That said, the upside is likely to remain capped near the parity mark, which might continue to act as a pivotal point for medium-term traders.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
2.25%	0.2%	10.1%	3.5%	£-07.080B

Events to WATCH

Another eventful week in UK politics saw a roughly 300 pip movement in the GBP/USD currency pair. Bulls profited from the new economic plan announced by the UK's newly appointed finance minister, Jeremy Hunt, as the cable pair started the week off strong and reversed Friday's decline. After Hunt revoked "nearly all" of the tax cuts offered in the previous mini-budget and pulled down assistance for energy bills, the pair reached its highest level in eight days at 1.1439. Global yields also increased owing to rising recession fears and drastic tightening expectations to control surging inflation. With a 10.1% YoY increase in September, the UK's inflation rate reached its highest level since 1982. The resignation of British Prime Minister Liz Truss on Thursday did provide GBP buyers with some peace of mind, but rising US Treasury yields limited the pair's upward trajectory. Truss resigned after a volatile and dramatic short tenure during which her economic policies shook financial markets. GBP sellers-maintained control toward the end of the week as dollar bulls resisted giving up despite the continuous rise in US rates. Political developments in the UK and anticipated Fed rate hikes will continue to be the main drivers.

As usual British currency remained super volatile throughout the week, mainly pair came under selling pressure on last trading day during the European session which led to one week low of 1.1058 but during the US session pair got buyers as report came U.S. Federal Reserve will likely to talk on a smaller interest rate hike in December month which led the pair to comfortably close near 1.13. Pair likely to remain between 1.09-1.15 as 1.15 seems to be a good resistance and 1.09 is the level where lot of participants are entering. Traders can churn the money by taking benefit of sideways movement in the pair but it's just not easy. On the daily chart momentum indicators MACD and RSI trading in a neutral zone. Apart from technical factors fed stance and political chaos will be watchful to decide the fate of the pair.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
-0.10%	0.9%	3.0%	2.5%	¥ -2094B

Events to WATCH

Oct 24, 06:00
Manufacturing PMI (Oct)

Oct 24, 06:00
Services PMI

Oct 28, 05:00
Unemployment Rate (Sep)

Oct 28, 08:00
BoJ Interest Rate Decision

The US dollar strengthened against the Japanese yen throughout the week, broke through the psychologically significant 150 mark but closed at 147.641. It demonstrates how the market is oblivious to the Bank of Japan and its threats. Since purchasing "unlimited bonds" is equivalent to printing "unlimited money," the supply of Japanese Yen will continue to be a significant drag on the exchange rate. There will be support for the 147.50 level first, then the 145 level. Despite the fact that the pair is overextended, the trade is one-way and the Yen cannot oppose it. The Bank of Japan intervened to pull the pair back down, but there is now no target because, quite frankly, it will continue to fall until the Bank of Japan eventually concedes and understands that interest rates must rise in that nation or they would simply lack a functional currency. The major issue they have is that Japan would never be able to pay back its enormous debt at higher rates. The market will be focusing on US Core PCE Price Index, Consumer Sentiment Final along with Japanese Interest Rate decision and Quarterly Outlook Report.

The USDJPY started the week at 148.758 and the daily chart shows an upward trend throughout the week but a major decline at the end of the week. The focus will be on surpassing the psychological 150 mark again as it already touched another new 24-year high of 151.946. We may expect the pair to continue to be hawkish but the correction could touch the bottom at the 50-day Moving Average of 143.618. The focus will be on the doubtful support level of 146.197 followed by the next support level of 140.35 in case of major recovery. The MACD line and signal line have crossed over each other and created a divergence. The pair ended the week at 147.641 showing price behavior is downwardly extended. The Relative Strength Index is dropped below its 7-day RSI's simple moving average indicating bearish sentiment.

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BLOG

Spot Exchange Rate : What Is It?

What is the spot exchange rate?

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.

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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.

Conclusion

Myforexeye provides the solution for all the forex needs of organizations irrespective of their scale and individual forex enthusiasts by making their forex transactions simpler, faster, and more cost-effective. Our Specialized team is backed up with advanced technology and experienced professionals' expertise reinforced by our transparent streamlined processes. Our user-friendly web portal and mobile app empower users to make savings and provide an insight into real-time rates and best quotations from banks to equip you with the best possible options. Our clients have access to expert guidance and consultation on a transactional basis to mitigate forex risks.

Speak to one of our specialists to acquire a detailed understanding of Myforexeye forex services.

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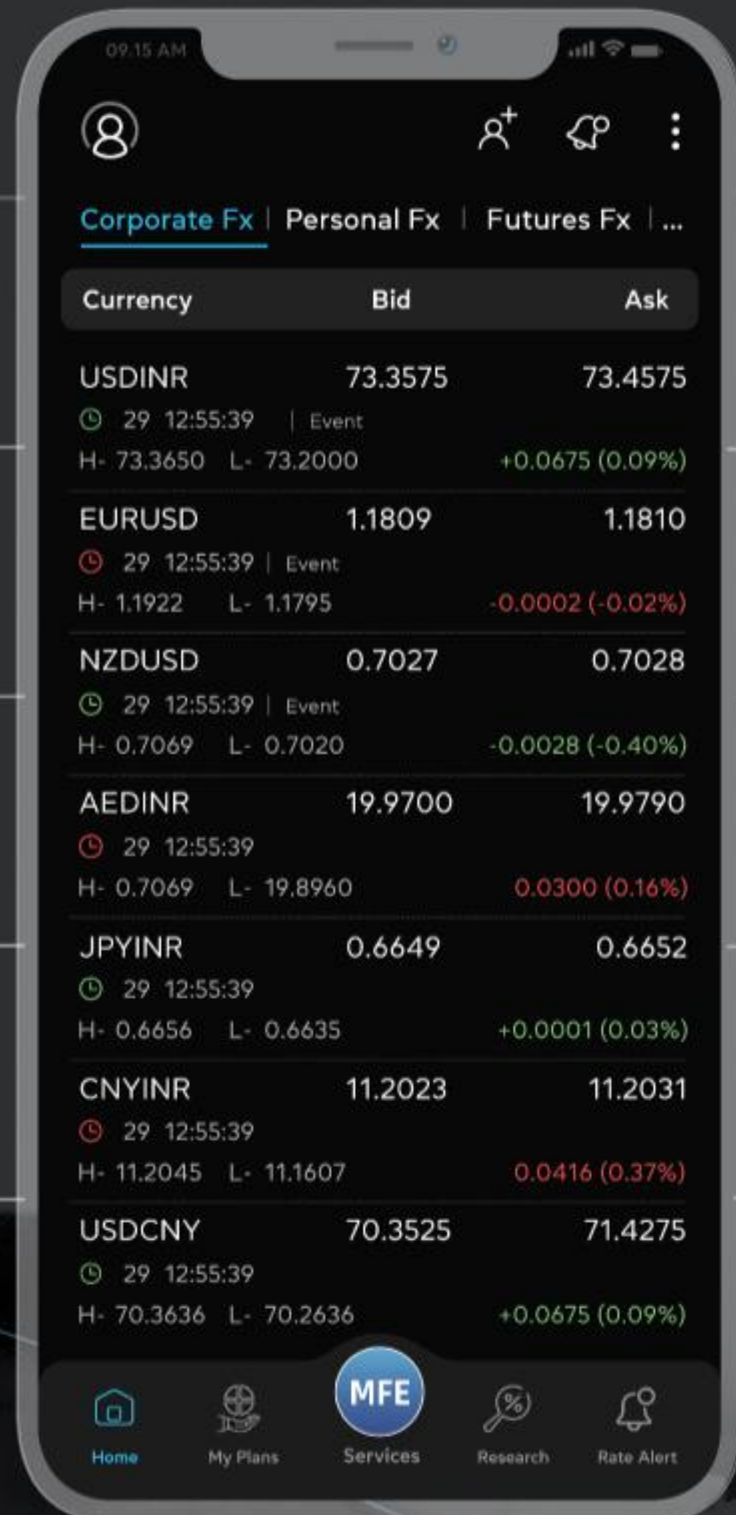
Mobile Application: Features



Live rates

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

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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.

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