



Forex Market **Insights**
Newsletter

Volume 45 → Nov 12th to Nov 18th 2022

Exclusively for PDEXCIL members: Complimentary

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*Till December 2022



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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

India's foreign exchange reserves resumed their decline to \$529.99 billion in the week through (04 Nov).

€ EUR

The European currency shot up post the release of softer US inflation number

£ GBP

GBPUSD ended the week 400 pip or so higher after reversing the previous week's loss

¥ JPY

The US dollar has fallen dramatically against the Japanese yen amid lower inflation numbers

Welcome

Dear Members,

The selling pressure gathers further steam and drags the dollar to new 3-month lows in the 106.70 region when gauged by the USD Index at the end of the week. Dollar struggles with the biggest two-day drop in nearly 14 years peaking U.S. inflation means less aggressive rate hikes from the Fed.

In addition Fed policymakers signaled a more gradual approach to hiking rates, but made clear direction that it has to tame 40-year high inflation. The Key events awaited in the coming week is the Preliminary Michigan consumer Sentiment scheduled on Friday. Japanese yen attracts fresh selling following a single day uptick to the 142.50 area and dips to its lowest level since late August in this week.

Above all other currencies our domestic unit beloved rupee appreciated to 80.795 in this week following a massive volatility compared to previous week's close of 82.44, a handsome recovery of 2%. Major clues for USD/INR pair expected from, the first readings of the US MCS for November, combined with the updates from China and Fed speech.

Thank You

Mahesh Sanil
Executive Director

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Events to WATCH

Nov 14 12:00

WPI Inflation (YoY)
(Oct)

Nov 14 12:00

WPI Food (YoY)
(Oct)

Nov 14 12:00

WPI Manufacturing
Inflation (YoY) (Oct)

Nov 14 12:00

WPI Fuel (YoY) (Oct)

Nov 14 17:30

CPI (YoY) (Oct)

Nov 15 20:00

Exports (USD)

Nov 15 20:00

Imports (USD)

The Indian rupee gained significantly this week against the dollar with a USDINR low of 80.58 (on Friday) and settled at 80.7950 (11-Nov) on expectations of a less hawkish US Fed, to clock its biggest weekly advance since Dec 2018. The USDINR started the week at 82.11 (7-Nov) and also touched the weekly high of 82.3250 the same day. The remaining trading sessions were in favor of the rupee due to a major weakening in dollar strength. The benchmark Sensex rose 1.95%, to 61,795.04, while Nifty gained 1.78%, to 18,349.7 to close at an over 1-year high, as cooling US inflation raised chances that a less aggressive Fed might prevent a financial meltdown.



India's foreign exchange reserves resumed their decline to \$529.99 billion in the week through (04 Nov). Reserves are lower from \$632.7 billion at the year till the latest release as the central bank has used some of them to protect the local unit from declining too rapidly this year. Indian 10-year bond yield is down 4 basis points at 7.30%, as US yields dragged on rising bets the US Fed may slow its pace of rate increases due to easing inflation. The major drop in the dollar index from the level of 113.15 (03-Nov) to 106.40 (11-Nov) showed a correction of almost 5.96%. The 10-year US Treasury was at 3.81% (on Friday), down sharply from where it closed at 4.14% on Wednesday. The 2-year Treasury was at 4.34%, well off its closing yield of 4.62% Wednesday.

\$ USD

REPO RATE

4.0%

GDP

2.6%

INFLATION

7.7%

UNEMPLOYMENT

3.7%

TRADE BALANCE

\$-73.282B

Events to WATCH

Nov 15, 19:00
PPI (MoM) (Oct)

Nov 16, 19:00
Core Retail Sales
(MoM) (Oct)

Nov 16, 19:00
Retail Sales (MoM)
(Oct)

Nov 16, 21:00
Crude Oil
Inventories

Nov 17, 19:00
Building Permits
(Oct)

Nov 17, 19:00
Philadelphia Fed
Manufacturing
Index (Nov)

Nov 17, 19:00
Initial Jobless
Claims



After an entire month of rangebound trades, Rupee witnessed massive volatility this week. Our beloved rupee closed today at 80.795 compared to previous week's close of 82.44, a handsome recovery of 2%. Volatility ruled financial markets this week with equities surging and US bond yields crashing along with the dollar index.

USDINR daily candlestick chart throws some interesting formations. In addition to an old price up-gap formed at 79.99-80.28 (21-22 Sep'22), highlighted by red horizontal lines, two new price down gaps have been formed this week: one at 82.43-82.325 (4-7 Nov'22), highlighted by blue horizontal lines; another at 81.55-80.975 (10-11 Nov'22), highlighted by pink horizontal lines. As we have seen numerous times in the past, price gaps in USDINR usually fills up. Also observe the upward moving orange color trendline connecting the USDINR lows of 74.345 (21 Feb'22), 75.31 (5 Apr'22), 75.96 (5 May'22) and 79.025 (13 Sep'22). This trendline comes around the price gap of 80.00-80.30, indicating that such a region could be an important support area.

Such rupee appreciation would be welcomed by importers who have been under stress for a long time. Importers should start hedging their liabilities through forwards. Lower forward premiums are an added advantage. Should also use some vanilla options to diversify risk. Am sure exporters would have been adequately hedged (as we had recommended time and again). Those exporters who have large unhedged positions should look at vanilla options to hedge.

Events to WATCH

Nov 14, 15:30
Industrial Production (MoM) (Sep)

Nov 15, 15:30
GDP (QoQ) (Q3)

Nov 15, 15:30
GDP (YoY) (Q3)

Nov 15, 15:30
ZEW Economic Sentiment (Nov)

Nov 17, 15:30
Core CPI (YoY) (Oct)

Nov 17, 15:30
CPI (YoY) (Oct)

Nov 17, 15:30
CPI (MoM) (Oct)

The European currency shot up post the release of softer US inflation number which came 7.7% year on year, which is still extraordinarily high but it was lower than the expectation. Traders started bet against American currency as market participants thinking now Federal reserve have to loosen their pace of hiking interest rates. Though inflation in US has started declining but we need to keep in mind federal reserve has a target of 2% inflation which is quite far and energy crisis in winter is not over yet. Overall black clouds are there for the European currency. It's a quite important week ahead for the pair on the economic event side as Eurozone Industrial production is due in the start of week, going ahead we have GDP numbers along with US Retail sales while at the end Eurozone CPI is set to release which is expected to come at 10.7% same as the previous print.



EUR/USD has safeguarded its upside momentum and climbed to its highest level in three months above 1.1300. The safe-haven US Dollar resumes its post-CPI downside as risk flows continue to dominate the financial markets following the weekend. The Relative Strength Index indicator on the four-hour chart recently climbed above 70, pointing to overbought conditions. In case EURUSD were marching to a stage of technical correction of psychological level 1.0200 aligns as immediate support. As long as the pair manages to stabilize above that level, it could target the static level of 1.0270 from August and breach of which leads to 1.0300 the psychological level and next could target to 1.0370 of static level from August. On the opposite side 1.0200, 1.0150 the former support which is the static level could be seen as the next support before 1.0100 the next support of psychological level.

Events to WATCH

Nov 15, 12:30
Unemployment Rate (Sep)

Nov 15, 12:30
Average Earnings Index + Bonus (Sep)

Nov 15, 12:30
Claimant Count Change (Oct)

Nov 16, 12:30
CPI (YoY) (Oct)

Nov 16, 12:30
CPI (MoM) (Oct)

Nov 18, 12:30
Core Retail Sales (YoY) (Oct)

Nov 18, 12:30
Retail Sales (MoM) (Oct)

Within a short span of time, the GBPUSD currency pair went from a two-week low to a two-month high after climbing toward 1.1800 before the weekend. The United States (US) and the United Kingdom's monetary policies contributed to the US Dollar's decline, which also boosted the pair (UK). The continued risk rally on international markets and the resurgence of the US Dollar's weakness were the key drivers of the continued revival of the Pound Sterling. Investors increased their bets on a smaller US Federal Reserve (Fed) rate hike in December, which caused the US Dollar to lose more than 2% on a weekly basis. Following weak US CPI figures, the difference between the monetary policies of the Federal Reserve and the Bank of England (BoE) started to shrink marginally, supporting the upward trend in the Cable. Additionally, the US Midterm Elections had little visible influence on how the US Dollar was trading. GBPUSD ended the week 400 pip or so higher after reversing the previous week's loss. The GBPUSD surge was fueled by the UK's Q3 Gross Domestic Product (GDP) contraction coming in below expectations on Friday.



The British currency rose during the week, registered a 450 pips spike over the week mainly pair bullishness we saw after the release of a soften US Inflation which is giving confidence to market participants that federal reserve have to slow the pace of hiking interest rates, coming back to technicals, pair has broken long-term resistance of 1.1750 now 1.12 seems to be a good resistance breaking of 1.12 levels could give indication of a trend change while on the downside earlier resistance 1.1750 would play a major role of support breaking of 1.1750 levels might open the doors for 1.1350 region as 50 days SMA trading there. Overall view on the pair is still bearish as momentum indicator RSI trading at 61 which is considered to be an overbought zone and we have seen sharp gains in pound looks unsustainable while MACD giving a neutral signal.



¥ JPY

REPO RATE

-0.10%

GDP

0.9%

INFLATION

3.0%

UNEMPLOYMENT

2.6%

TRADE BALANCE

¥ -2094B

Events to WATCH

Nov 15, 05:20
GDP (QoQ) (Q3)

Nov 15, 05:20
GDP (YoY) (Q3)

Nov 15, 10:00
Industrial
Production
(MoM) (Sep)

Nov 17, 05:20
Trade Balance
(Oct)

Nov 17, 05:20
Exports (YoY)
(Oct)

Nov 18, 05:20
National Core
CPI (YoY) (Oct)



The US dollar has fallen dramatically against the Japanese yen due to somewhat lower-than-expected inflation estimates. Nevertheless, 7.7% (YoY) growth is still spectacular and exceeds the goals the Federal Reserve has set. The knee-jerk reaction was incredibly harsh, and the USDJPY pair has seen a lot of selling pressure. The BoJ has been controlling the yield curve, which means that they have kept the yields on their 10-year note at 0.2%. Thus, in a complicated way, the possibility that the Federal Reserve won't be as aggressive has cooled off the bond market and pushed yields lower. This indicates that the Japanese are under less pressure, at least temporarily, and as a result, less yen are being printed. It all comes down to bonds and nothing about the dollar or the yen is involved in this. The only thing that traders can do is watch this and wait for opportunities to start purchasing on a support level. Shorting this pair is risky, and there will probably be a vicious snapback.

The USDJPY started the week with depreciation and the pair corrected 5.32% during the week and the pair reached the low 138.468 level. Now, the eyes will be on further depreciation or if the pair rebounds. If the pair recovers it could touch the top at the 50-day Moving Average of 144.70. The support level will be the minor 135.80 level in case of further depreciation. The MACD line was moving downward below but along with the signal line, which shows more correction can be expected. MACD line and Signal line have come down the baseline which has created a bearish sentiment. The pair ended the month at 138.841 showing price behavior is slightly downward extended. The Relative Strength Index has reached the lower band below its 14-day RSI's simple moving average simply indicating bearish sentiment and the pair is oversold.





BLOG

Inflation

Generally, a rise in the currency values is exhibited by a country with consistently lower inflation. The currency appreciations attribute to an increased purchasing power relative to other countries' currencies with whom it might or might not have trade relations. On the other hand, higher inflation in countries demonstrates a depreciating currency compared to their trading partners. Rapid inflation causes an expeditious decrease in the value of a country's currency. For example, The Turkish economy experienced very high inflation during the 1980s and 1990s, causing depreciation of its economy. However, the efforts made by the government to counter that through export-led growth strategy between 1981 and 1988 pretty successfully brought the average annual growth rate of the real GDP at 5.8 percent.

Interest Rates

A critical point for consideration is that interest rates, inflation and exchange rates are highly correlated. The changes in the interest rates brought by government intervention also influence inflation and exchange rates. A higher interest rate in a country attracts investors and an inwards flow of foreign capital

Factors influencing foreign exchange rates:

by offering them higher returns relative to other countries. This causes the exchange rates to rise, the impact of which is offset by other factors like high inflation that bring the value of currency down. Conversely, a decrease in exchange rates is witnessed in the case of lower interest rates.

Before understanding the impact of interest rates on exchange rates, an important point to remember is that interest rates alone don't determine the value of a currency. The collective effect of the other factors, including inflation, political condition, public debt, etc., influence the exchange rate. One real-world example of this was observed in September 2018 in the case of INR and the US dollar. The massive depreciation of INR against the US dollar made the imports from America, including diamonds, cotton, etc., more expensive for India and reduced the purchasing power of Indian importers. Since the cost of importing goods increased, this increased cost was passed on to the market and reflected as heightened sale prices to Indian consumers.

Geopolitical Stability

Any unexpected political development can pose a risk to investors; thereby, the political stability in conjunction with economic performance influences

A country's currency's strength. A country with less risk of political turmoil is more lucrative to foreign investors as opposed to a country that has indicators pointing towards political instability, causing a pulling back of investments. It can ultimately lead to the movement of capital to countries with a more stable economic condition and political environment.

Economic Performance

Economically strong countries with stable currencies are sought out by foreign investors facilitating the inwards flow of foreign capital in countries that display strong economic performance. The countries with such attributes will demonstrate increased demand and value of their currency. In contrast, the countries that are at the forefront of economic development and stability will observe the outwards movement of foreign capital to other nations that exhibit high political and economic stability.



Mobile Application: Features

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

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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 rate, a high/low range, and a percentage change. The bottom navigation bar includes icons for Home, My Plans, Services (MFE), Research, and Rate Alert.

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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Gaurav/Prabjeet
8860663372 / 8860646603
advisory@myforexeye.com



Ms. Lavany Saxena
9892886912
pdexcilmumbai@gmail.com