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Simplifying Forex

PDEXCIL

Forex Market Insights

Newsletter

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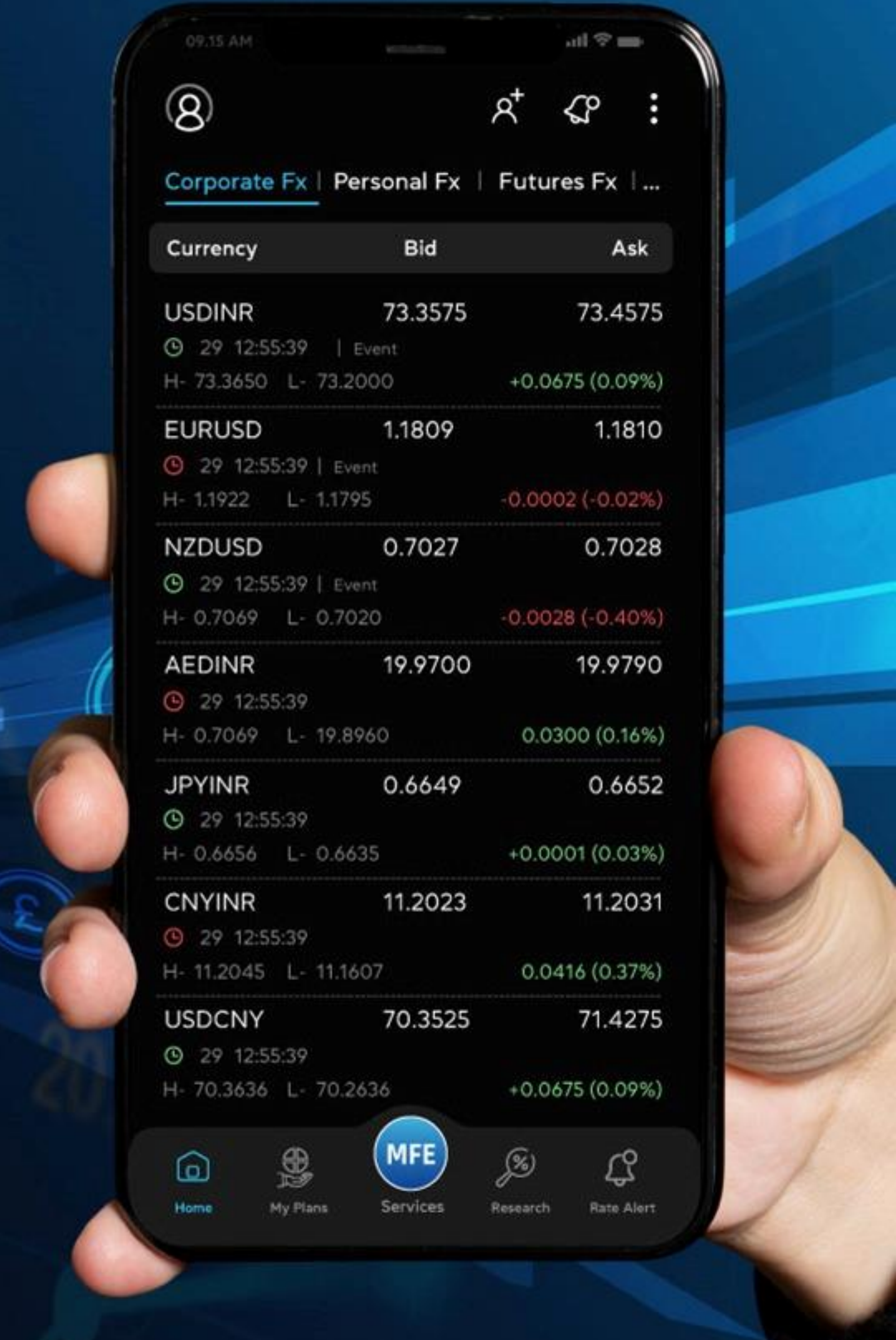

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Welcome

Dear Members,

Last month we saw the reasons for dollar strength grow as stock prices fell due to rising yields. The start of war in the Middle East made things worse. But surprisingly, after jumping up early in the month, the dollar then levelled off even though rates stayed high and investors stayed cautious. However, the dollar's rally may be more measured than earlier forecasts predicted. While factors that contributed to the dollar's earlier appreciation remained present, the dollar's subsequent stabilization appeared somewhat unexpected on initial examination. Looking ahead, I see several factors that could drive further near-term dollar strength. First, the Eurozone may fall into recession:

a) The Bank of Japan could become more tolerant of Yen depreciation if it occurs steadily.

b) The Fed may go through with a December rate hike if inflation stalls.

However, risks remain in both directions. Upside risks for the dollar include escalation in the Middle East and financial stability concerns. I will be monitoring these developments closely.

The data flow out of the Eurozone has also been negative over the last month, which could explain why intraday volatility has remained strong despite the single currency's lack of new direction. Headline and core inflation have fallen significantly, mainly due to base effects but also to weaker demand. For other major currencies, I expect the British pound will remain under pressure as the BoE holds policy steady. The Canadian dollar could also weaken on rising recession risks. Among emerging markets, the Mexican peso and Brazilian real may outperform on solid fundamentals, but risks such as government intervention persist.

Thank You

Mahesh Sanil

Executive Director

Key Takeaway Summaries

₹ INR

The pair's stance still remains the same, trading in the vicinity of its all-time high without breaking through the 83.29 barrier.

€ EUR

The continuous release of weak economic data from the Eurozone and Germany signals a possible recession in the region.

£ GBP

BoE's governor came across as more hawkish than the Fed's, which provided support to the cable pair, as it crossed the 1.2200 level.

¥ JPY

The USDJPY pair closed the week at 149.28, down 116 pips.

₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
6.50%	1.9%	5.02%	7.1%	$-19.37B

Events to WATCH

Nov 10, 17:00
FX Reserves, USD

Once more, a restrained week for the USDINR pair as it keeps trading with a lack of volatility of just 0.11 paisa. The pair's stance still remains the same, trading in the vicinity of its all-time high without breaking through the 83.29 barrier. However, the USDINR hit a fresh one-year high this week on Friday, reaching 83.2875. The Fed kept the rates unchanged at 5.25%-5.50% for the 2nd consecutive time. Following the meeting, Powell stated that the Fed might be done hiking rates, considering the current tight financial and labor market conditions. The labor market slowdown was validated by the Non-farm Payrolls, Unemployment Rate, and Average Hourly Earnings data all coming in red(weaker than expected). Furthermore, the Fed also declared a slowdown in the pace of increase in its longer-dated debt auctions for the Nov 23 to Jan 24 quarter and predicts that in order to achieve its financial needs it will require an additional quarter of increases.

The announcement caused the U.S. treasury bond yield to start falling with a 15-basis point drop in 10-year bond yields. The dollar index fell by 1.4% throughout the week, closing weaker at 105.06 (six-week low). On Friday, the RBI announced India's first 50-year bond auction which met with a strong demand, indicating the growing interest in long-term bonds from pension funds and insurance companies. Indian FX Reserves for the week ended on 27th Oct are $586.11 bio, revaluation resulted in an increase in gold by $0.50 bio and a drop in non-dollar reserves by $0.48 bio. The figures point towards the RBI buying $2.5 bio approx. The rupee is now expected to recover a little towards 83-region with DXY weakening, Indian bond auction and crude oil prices being stable.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.5%	4.9%	3.7%	3.9%	$-58.3B

Events to WATCH

Nov 07, 19:00
Trade Balance (Sep)

Nov 07, 19:00
Exports

Nov 07, 19:00
Imports

Nov 09, 19:00
Initial Jobless Claims

Nov 10, 20:30
Michigan Consumer Sentiment (Nov)

During the course of the past trading week USDINR exhibited little signs of life, with a 11 paisa trading range.

The pair’s muted volatility with continue to dominate until we see a break of either the key resistance region from 83.20-83.30 or below the psychological and technical support of 83. The 144-day SMA current is currently at 82.55 while the longer-term trendline support is around 82.50 – 82.60 region. Last week’s close has resulted in the formation of an inverted hammer, which might be an indicator of near-term Rupee gains. This is a market which likes rallies, pullbacks and consolidations before taking another leap higher. We might be in a consolidation phase but this won’t be forever.

Exporters should continue hedging at 83.20+ levels through a mix of forwards and vanilla options. The importer can target 83 and below levels to resume hedging. Low volatility has induced historically cheap option premiums another advantage to hedge.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.50%	-0.1%	2.9%	6.5%	€6.675B

Events to WATCH

Nov 06, 14:25
German Services PMI (Oct)

Nov 06, 14:30
Services PMI (Oct)

Nov 06, 14:30
S&P Global Composite PMI (Oct)

Nov 07, 12:30
German Industrial Production (MoM) (Sep)

Nov 08, 12:30
German CPI (MoM) (Oct)

Nov 08, 12:30
German CPI (YoY) (Oct)

Nov 08, 15:30
Retail Sales (MoM) (Sep)

The EURUSD pair has recovered its losses, reaching the 1.0728 level, marking an increase of 163 pips and a gain of 1.54% over the week. The continuous release of weak economic data from the Eurozone and Germany signals a possible recession in the region. The German CPI, Eurozone CPI, and GDP data came weaker than anticipated, indicating lowering inflation and economic growth. The dollar fell to a six-week low at 105.06 on Friday, as a series of disappointing data was released, including Non-farm payrolls, unemployment rate, S&P Global Services PMI, and Average Hourly Earnings, all of which failed to meet expectations. The ECB is likely to loosen its monetary policy much quicker than FED which could limit substantial upward movements in the currency. Additionally, positive developments in the manufacturing sector and GDP numbers, if they begin to show strength, could counterbalance the above-mentioned result of the ECB's monetary policy stance.

The week commenced with EURUSD opening at 1.0562, and during the final trading session of the week, a bullish momentum emerged, leading to the breach of the significant level of 1.07, as highlighted in the previous weekly report. To the downside, 1.05 is poised to serve as a significant support level, potentially triggering substantial selling if breached. At that point, our focus would shift towards a potential move to the 1.0250 level, and even the prospect of reaching parity. On the daily candlestick chart, the range between 1.0730 (weekly close) and 1.0746 (weekly high) is identified as the current resistance zone. A break above this range in the upcoming trading sessions could signal a potential continuation of the pair's uptrend. Conversely, the chart saw a break in the 50-Week EMA, suggesting the possibility of a price movement towards the 1.09 level. The 1.0651 level can act as a short term support for the pair. The momentum indicators indicate that the pair has not reached the overbought region supporting the pair's uptrend for the coming few trading sessions.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.25%	0.2%	6.7%	4.3%	£ -3.415B

Events to WATCH

Nov 06, 15:00
Construction PMI (Oct)

Nov 10, 12:30
GDP (QoQ) (Q3)

Nov 10, 12:30
GDP (YoY) (Q3)

Nov 10, 12:30
Monthly GDP 3M/3M Change (Sep)

Nov 10, 12:30
Manufacturing Production (MoM) (Sep)

Nov 10, 12:30
Industrial Production (MoM) (Sep)

Nov 10, 12:30
Trade Balance (Sep)

It was a positive week for Sterling as it gained by 2% against the US dollar. The Fed and BoE kept the interest rates unchanged as expected. But the comments from BoE's governor came across as more hawkish than the Fed's, which provided support to the cable pair, as it crossed the 1.2200 level. The announcements from US Treasuries to slow the increase in the size of the long-term auctions; along with the bearish labor data sent the US Treasury yields lower. The downfall of the Treasury yields sent the DXY below the 105 level, which is a 2-month low. The bullish service and composite PMI data from the UK front and the weakening in the dollar, led to the gains in sterling as it made a 2-month high of 1.2389. Overall, the future outlook for the pair will depend on the performance of the UK economy in the fourth quarter. The latest data from the economy however showed that the manufacturing sector continued its downtrend in October, setting a negative tone for the fourth quarter. While the services PMI improved to 49.5, but still below the 50 level, for 3rd month in a row. Chances of upside seem limited and will depend on the GDP and Manufacturing data of the UK and further downfall in DXY.

The pound started off the week low at 1.2126 but experienced a bullish trend gaining 300pips and breaking above the 1.2350 mark. It significantly rose to test the top of the flag pattern and almost touched the 50-week EMA at 1.2400.If it breaks above the 50-week EMA then there is a good chance that we might move up towards the 1.2750 level. On the contrary, if it breaches the down flag line which acts as a support then a downtrend is expected, first the 1.20 level and then the 1.1850 level are set to be tested. The US currency would likely strengthen versus the pound if we were to break below the candle's bottom, which would signal a complete turnaround. Undoubtedly, we are at a turning point, and a significant move in the market may be approaching. For now, it appears that volatility may worsen rather than improve, but we will have to wait and see.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
-0.10%	1.2%	3%	2.6%	-¥ 72.09B

Events to WATCH

Nov 06, 06:00
Services PMI (Oct)

Nov 07, 5:00
Household Spending (YoY) (Sep)

Nov 07, 5:00
Household Spending (MoM) (Sep)

Nov 09, 5:20
Adjusted Current Account (Sep)

On the prospect of different monetary policy, the JPY continued to rise into the weekend & finished the week stronger. The USDJPY pair closed the week at 149.28, down 116 pips. The pair traded higher than its intraday low of 149.18. Following the release of the US official employment statistics, the USDJPY fell from 150.20 to 149.27. The Yen was trading higher in most pairs at the conclusion of the week, having recovered from oversold circumstances following Tuesday's dramatic post-BoJ meeting sell-off. The Yen stability as a result of BoJ intervention operations has been one of the primary factors keeping a lid on broad dollar appreciation in recent months. With the BoJ reportedly ending its covert interventions to keep the pair near 150, this important anchor appears likely to relax. USDJPY now has scope to break well above its 32-year high of 151.94 reached in October if the BoJ sits back and allows further depreciation. The main risk factor is if the BoJ decides to push back more forcefully against rapid Yen weakness, which could halt the currency's slide. However, policy difference between the aggressive Fed and the extremely dovish BoJ is projected to keep the Yen under significant pressure.

In the span of this week, the USDJPY pair tested the yearly high at 151.70 but faced a similar resistance, just as it did in October 2022, prior to that, this level had not been reached since August 1990. Over the last three trading sessions of the week, we observed a correction in the pair, causing it to dip below the psychological level of 150 to 149.33. We ended the week, with the formation of a shooting star showing indecision and an end to the existing bull trend. If it manages to break below the lower end of the candlestick, there's a potential for a decline towards the 147.80 level. If it breaches the 147.80 level to the downside, there's a possibility that it may extend the decline to around the 145 level. Conversely, if price levels manage to surpass the 152 to the upside, it's likely that the market will continue its move toward the 154 level. Candlestick formations suggest a more dominant presence of bearish sentiment in the short term, indicating a potential downward movement in the coming week, likely leading to Yen strength.

How To Find Strong Support And Resistance Levels?

In the dynamic world of forex trading, the ability to identify strong support and resistance levels is paramount for making informed and profitable decisions.

Understanding the Basics: Support and Resistance Levels

Support and resistance levels serve as fundamental pillars in forex trading, defining price points at which a currency pair is likely to experience reversals or pause in its current trend.

Support Levels: These are price levels at which a currency pair historically tends to stop falling and might even bounce back upward. Imagine a floor beneath the price action that prevents it from falling further.

Resistance Levels: Conversely, resistance levels represent points where a currency pair typically halts its upward trajectory and might start declining. Visualize a ceiling that curtails price movements from rising higher.

Historical Price Analysis: Unveiling Trends

By scrutinizing past price movements, you can identify patterns that indicate where these levels are likely to emerge.

Moving Averages: Smoothed Insights

Incorporating moving averages into your analysis can provide you with smoothed insights into support and resistance levels. Moving averages help to smoothened short-term price volatility, allowing traders to identify potential support and resistance levels. Key moving averages like the 100-day, 130-day, and 200-day averages are widely used to spot support and resistance level.

Fibonacci Retracement: Mathematical Precision

Fibonacci Retracement refers to a technical analysis tool used in trading and investing that is based on the Fibonacci sequence and ratios. This tool aims to identify potential support and resistance levels in financial markets with a mathematical approach. The Fibonacci sequence is a set of numbers in which each number is the sum of the two numbers preceding one: 0, 1, 1, 2, 3, 5, 8, 13, 21, and so on. The Fibonacci ratios, derived from this sequence, such as 0.382, 0.500, 0.618, 0.786, and others, are believed to have significance in predicting price retracements or pullbacks during a trend.

Volume Analysis: Gauging Market Sentiment

Volume analysis can be a valuable tool to gauge market sentiment and identify robust support and resistance levels. Elevated trading volume near specific price points often signifies strong market interest and could help determining in support level. By observing volume spikes at certain levels, you can ascertain the significance of these points in the market psyche.

Psychological Levels: The Human Touch

Psychological levels, also known as round numbers, are price points that influence the traders psychologically. These levels are not determined by technical analysis or fundamental factors but rather by the way human behaviour and emotions influence market participants.

Conclusion: Elevating Your Trading Game

In the intricate world of forex trading, mastering the art of identifying strong support and resistance levels is a game-changer. By integrating historical price analysis, moving averages, Fibonacci retracement, volume analysis, and acknowledging psychological levels, you can build a robust strategy that thrives on precision and informed decision-making. With the help of Myforexeye, you're poised to outperform the competition and elevate your forex trading game to unprecedented heights.

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

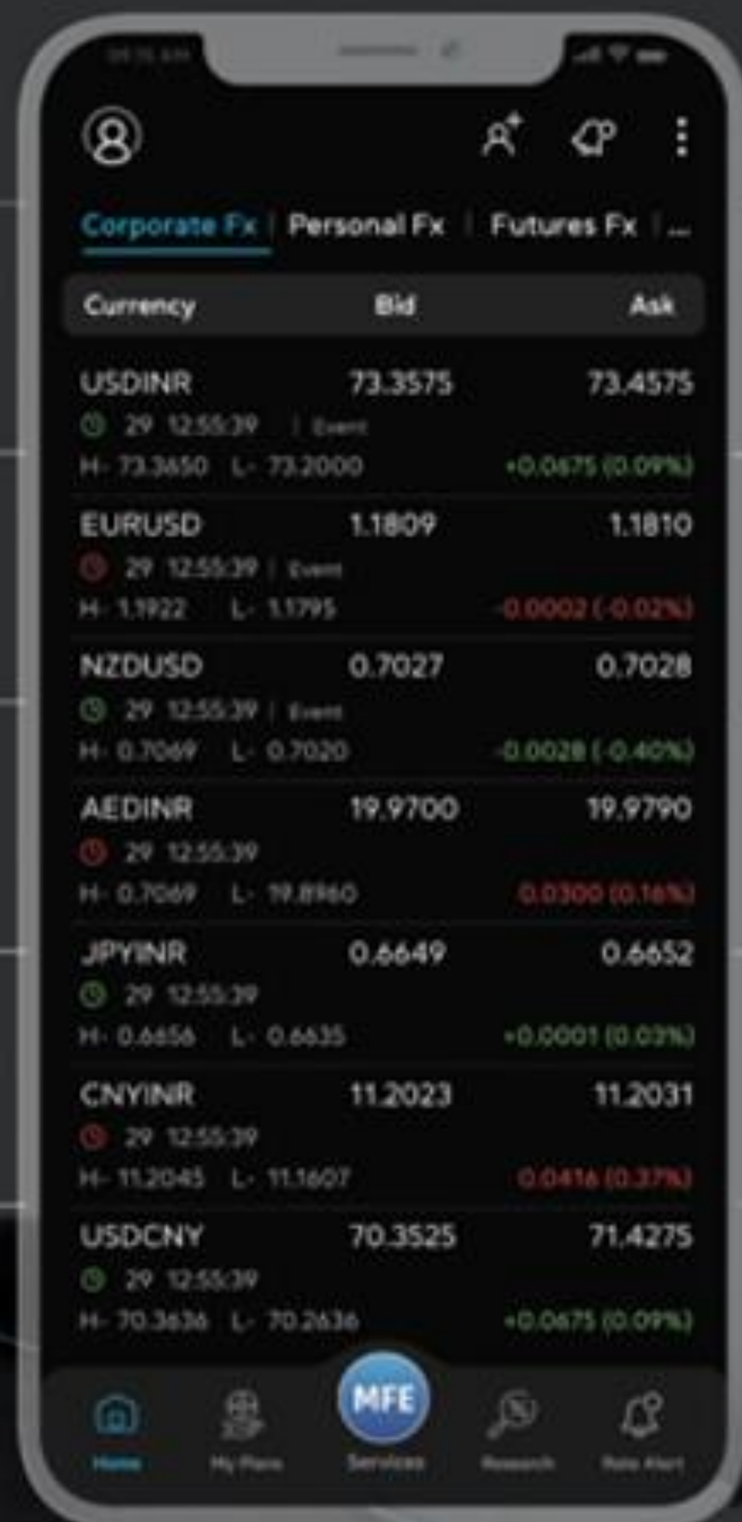
Set Rate alert for different types of transactions and know when the target rate has traded for the first time in forex market.

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.



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