

Date: 31st August, 2024

Dear Members,

Subject: Release of 134th edition of Forex Newsletter

SEPC is pleased to release its 134th edition of the Forex Newsletter.

This newsletter will have market intelligence to help our members, non-members and associations plan their remittances and receivables in foreign currencies from their exporters/importers through banks for the coming week.

This information will help you in working out your receivables/payments in a planned way thereby saving from currency volatility and creating savings on Forex exchanges value.

We will appreciate your feedback on this initiative of SEPC.

Please write to us at chairman@servicsepc.org and abhay.sinha@servicsepc.org

We look forward to your views and inputs.

With best regards



Karan Rathore
Chairman



Forex Market **Insights** Newsletter

Volume 134 → Aug 31st to Sep 06th 2024

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*TILL MARCH 2025



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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%)		

Welcome



Dear Members,

I've been closely watching the markets, and I'd like to share my observations. We've seen a mixed performance in equity markets, with European indices outpacing their US counterparts. This comes amid Nvidia earnings report, which didn't quite meet expectations.

The US Dollar Index has been fluctuating near levels we haven't seen since last summer, around 100.50. Investors are weighing the possibility of lower rates in September, even as the economy remains strong. The EURUSD rally post-Jackson Hole has cooled off, dipping below 1.11. Oil prices have seen a modest increase due to supply concerns in Libya, with Brent hovering around \$80 per barrel.

Looking ahead, we have a busy week with key economic data releases. These include Manufacturing and Services PMIs, job openings, and the all-important Nonfarm Payrolls report. For the future, I anticipate continued volatility in currency markets, particularly in EURUSD, GBPUSD, and USDJPY pairs. We'll be keeping a close eye on central bank meetings and economic indicators to guide our strategy in the coming months.

Thank You

Key Takeaway Summaries

₹ INR

The reserves increased by \$7 billion during the reporting week hitting \$681.69 after increasing by \$4.5 billion the week before.

€ EUR

EURUSD fell to 1.1045 as inflation issues are emerging in the Eurozone.

£ GBP

UK Prime Minister Keir Starmer hinted at "painful" tax increases and spending cuts to tackle challenges caused by past Conservative mismanagement.

¥ JPY

Japan's July CPI inflation held at its highest since February, boosting expectations for tighter monetary policy.

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Events to WATCH

Sep 02, 10:30

HSBC India
Manufacturing PMI
(Aug)

Sep 04, 10:30

HSBC India
Services PMI (Aug)

Sep 06, 17:00

Bank Loan Growth

Sep 06, 17:00

Deposit Growth

Sep 06, 17:00

FX Reserves, USD

The slight volatility continues in the USDINR pair as it makes a little broader range of 17 paise. The week mostly saw the rupee recovering and trading around the 83.85 levels compared to the previous range around 83.95. The dollar recovered during the week, breaking its four-week losing streak, and touched its 8-month low level, rising 1% to 101.72. Some Fed Presidents also showed their confidence towards the rate cuts as on Monday, Mary Daly, San Francisco Federal Reserve president, stated that "the time is upon us" to lower interest rates, most likely beginning with a quarter-percentage-point decrease in borrowing costs. Also, Patrick Harker, Philadelphia Fed president, stated that he anticipates the central bank will begin easing monetary policy with a 25-basis point decrease, but he would be willing to consider a bigger cut if the labor market unexpectedly worsens. According to the CME watch tool, the current pricing indicated a 30% chance of the larger cut of 50bps whereas 70% chance of a 25bps rate cut.



If we see on the Indian front, our FX Reserves increased for a second consecutive week and reached a record high of \$681.69 billion as of August 23. Nuvama Alternative and Quantitative Research projects that the increased weightage of Indian equities in MSCI's developing market index, which went into effect on Friday, will draw inflows of up to \$3 billion. The reserves increased by \$7 billion during the reporting week after increasing by \$4.5 billion the week before. Data showed that India's GDP(QoQ)(Q1) declined to 6.7% compared to the expectation of 6.9%. In the majority of cycles following the Federal Reserve's first rate cut, the dollar has a tendency to be flat to down. If the Federal Reserve starts cutting interest rates in September, the dollar is already at its lowest point in comparison to past cycles, which suggests there may not be much potential for further declines.

Events to WATCH

Sep 03, 19:15

S&P Global US Manufacturing PMI (Aug)

Sep 03, 19:30

ISM Manufacturing PMI (Aug)

Sep 04, 19:30

JOLTs Job Openings (Jul)

Sep 05, 17:45

ADP Nonfarm Employment Change (Aug)

Sep 05, 19:15

S&P Global Services PMI (Aug)

Sep 06, 18:00

Nonfarm Payrolls (Aug)



The pair showed some signs of recovery as it mostly traded around 83.85 levels in this week. It also continues to show slightly higher volatility making a range of 17paise. On Wednesday, it remained under pressure testing the all-time high of 83.97 due to month-end dollar demand but ended the week stronger at 83.8625.

As per the USDINR daily-frame chart, the pair faced rejection above the 83.97 level on Wednesday but the bullish momentum continues as the pair is still trading above the 100-day EMA. But given that the 14-day Relative Strength Index (RSI) is circling the midline, which represents the neutral momentum for the USD/INR, more consolidation in the short term cannot be ruled out. A resistance at 83.9725(all-time high) can be clearly seen through the yellow trend line. On the other hand, the short-term support stands in line with the 21-day SMA around 83.87.

As the pair has come down near to its support level the importers can start covering short-term payables at the current market levels whereas the exporters have got enough opportunity to hedge. Thus, they can target a level of 83.95+. A mix of option and forward is advisable.

Events to WATCH

Sep 02, 11:30

German Retail Sales (MoM) (May)

Sep 02, 13:30

HCOB Eurozone Manufacturing PMI (Aug)

Sep 04, 13:25

HCOB Germany Services PMI (Aug)

Sep 04, 13:30

HCOB Eurozone Composite PMI (Aug)

Sep 05, 11:30

German Factory Orders (MoM) (Jul)

Sep 06, 14:30

GDP (YoY) (Q2)

The EURUSD pair concluded the week at 1.1045, a significant drop from its 13-month peak of 1.12016 achieved on Monday. This high was influenced by a dovish speech from US Federal Reserve Chairman Jerome Powell at the Jackson Hole Symposium, where he suggested the possibility of future rate cuts. Fed officials, including Philadelphia Fed President Patrick Harker and Chicago Fed President Austan Goolsbee, have supported gradual rate reductions, emphasizing employment concerns. Consequently, markets are anticipating a 25-basis point cut in the Fed's September meeting. In contrast, Eurozone inflation concerns have also emerged. ECB Governing Council member Olli Rehn highlighted potential rate cuts due to weakening inflation and economic slowdown in the region. Midweek, the EURUSD fell to approximately 1.1150, as heightened dollar demand and a deteriorating risk sentiment pressured the pair. It struggled to hold above the 1.1200 level. Ahead of the ECB's rate decision in September, the Euro dipped below 1.11, extending its decline from the recent high. Recent inflation reports showed Spain's annual inflation rate falling from 2.9% to 2.4% in August, with German inflation also coming in below expectations. Currently, market participants are closely watching upcoming inflation data from both the Eurozone and the US for direction in the pair's future movements.



The EURUSD pair began the week on a bullish trajectory at 1.1186, continuing its upward momentum from the previous week. However, the pair struggled to maintain a breach above the 1.1200 level, primarily due to a rebound in the U.S. dollar. The recent increase in U.S. GDP growth has tempered market expectations of a 50 basis point rate cut by the Federal Reserve in September. Key resistance is expected in the 1.1100-1.1200 range, with a successful break above 1.1200 potentially pushing the pair towards the 1.1250-1.1300 zone. On the downside, if EURUSD consolidates below 1.1100 going into next week, it could find support around the 1.1000 level, which has previously acted as resistance. The pair's direction will largely depend on upcoming economic data and market sentiment surrounding the Federal Reserve and Eurozone central bank meetings. Traders should monitor these levels closely and remain vigilant to changes in economic indicators and broader market dynamics, as the weak dollar trend appears to be gaining traction.

Events to WATCH

Sep 02, 14:00

S&P Global/CIPS UK Manufacturing PMI (Aug)

Sep 04, 14:00

S&P Global/CIPS UK Composite PMI (Aug)

Sep 04, 14:00

S&P Global/CIPS UK Services PMI (Aug)

Sep 05, 14:00

S&P Global / CIPS UK Construction PMI (Aug)

Sep 06, 11:30

Halifax House Price Index (YoY) (Aug)

Sep 06, 11:30

Halifax House Price Index (MoM) (Aug)

It was a roller coaster ride for the sterling this week, as it touched almost a 2.5 year high of 1.3266 this week. The major driver for the gains in the Pound was the continued weakness in the dollar after the Fed Chair Powell suggested that it is time to cut rates. The dollar index touched almost a 1-year low on Tuesday, after the San Francisco Fed President Mary Daly also highlighted the need to cut interest rates. Further, Prime Minister Keir Starmer stated on Tuesday that he would need to make difficult choices, hinting at the potential for "painful" tax increases on the wealthy and spending cuts as part of his efforts to address the numerous challenges facing Britain, which he attributed to years of Conservative mismanagement. The pair afterwards fell as the safe heaven flows to dollar started after the heavy sell-off in the tech stocks due to disappointing sales forecast by Nvidia. Further, a bullish US GDP data release suggested that the US economy is performing well. The pair ended the week lower at 1.3122, unaffected by the bearish release of US PCE Price Index. US labor data including JOLTS Job opening, ADP Employment Change and NFP, along with US and UK Manufacturing PMI data will be eyed for further cues.



The GBPUSD pair snapped its uptrend after gaining for two consecutive weeks. The pair started the week on a positive note as it gained and touched a 29-month high of 1.3266 on the second trading session of the week. The pair faced resistance at the same level and then started declining. The sellers entered the market and drove the pair below the 1.3150 levels. The MACD Indicator also show signs of a possible bearish cross-over, as the MACD line moves downwards towards the signal line, suggesting the high possibility of a downtrend in the near future. If the pair continues its downtrend it may find support at the psychological level of 1.3050. If the pair breaches this level, the next possible support at 100-Days SMA at 1.2749, preventing further downside in the pair.

Events to WATCH

Sep 02, 05:20
Capital Spending
(YoY) (Q2)

Sep 02, 09:05
10-Year JGB Auction

Sep 04, 06:00
au Jibun Bank Japan
Services PMI (Aug)

Sep 05, 05:20
Foreign Bonds
Buying

Sep 06, 05:00
Household Spending
(YoY) (Jul)

Sep 06, 10:30
Coincident Indicator
(MoM) (Jul)

The USDJPY pair experienced notable volatility this week, with the pair ended the week about 1% higher at 146.12 mark. However, early in the week, the Yen appreciated to around 143.45, bolstered by BoJ Governor Kazuo Ueda's indication that the central bank might consider further interest rate hikes if economic conditions warrant. Additionally, July's National CPI inflation in Japan remained at its highest level since February, reinforcing expectations for tighter monetary policy. Throughout the week, the Yen faced pressure, trading around 144.50 after retreating from a three-week high. Despite increased demand for safe-haven assets due to geopolitical tensions in the Middle East, the Yen struggled against the backdrop of diverging monetary policies between Japan and the US. As the week progressed, the Yen fluctuated near the 145.00 level, influenced by a rebound in the dollar index. By Friday, the Yen was traded around 145.50, before ended the week lower, with the Yen's upward momentum being curtailed by recent US Dollar strength and improved market sentiment. Looking ahead, market participants are closely monitoring upcoming US PCE data, which could further impact the direction of USDJPY pair.



The USDJPY pair began the week lower at 144.18, with the 143-144 range serving as a crucial support zone. The U.S. dollar's recent rebounding from its 13-month low has lent some weakness to the Japanese yen, further less chances of future rate hike by the Bank of Japan. Notably, the pair recently broke below a long-term support region around 147-149, a critical area now likely to act as resistance. Currently, the pair has re-entered the 145-146 range, which could present some resistance. Technically, short-term pullbacks are expected to attract buyers, with the 143.50 level (S1) being a key area to watch for potential support. Additionally, the 141-142 zone could serve as further support if the yen continues to strengthen amid a weakening dollar. This week's movements suggest limited downside potential for the pair, especially as the unwinding of large carry trades has already occurred. Traders should closely monitor these key levels and remain vigilant to shifts in market dynamics as they navigate potential changes in the broader market environment.



Leveraging Options & Derivatives In Forex Risk Hedging

Understanding Forex Risk Management

Forex hedging is essential for businesses that operate in international markets, especially for importers, exporters, and investors exposed to fluctuating currency rates. Think of hedging as an insurance policy that shields you from unexpected currency movements that could erode profits or result in financial losses. The primary sources of currency risk include:

Transaction Risk: The risk associated with paying or receiving funds in foreign currencies, subject to fluctuating exchange rates.

Translation Risk: The risk that arises when consolidating financials of foreign operations into the reporting currency.

Economic Risk: The potential impact of currency fluctuations on the present value of future operating cash flows.

The goal of Forex risk hedging is to reduce or eliminate uncertainty and financial losses stemming from currency exchange rate movements. Common hedging methods include:

Forward Contracts: Agreements to exchange a specific amount of one currency for another at a predetermined rate on a future date, locking in the exchange rate and protecting against adverse movements.

Options Contracts: This give the holder the right, but not the obligation, to buy or sell a currency at a specified rate before a certain date. Options offer flexibility, allowing protection against unfavorable movements while benefiting from favorable ones.

Currency Swaps: These involve exchanging one currency for another with an agreement to reverse the exchange at a future date, helping companies balance their currency assets and liabilities.

Hedging with Derivatives: Financial instruments like futures contracts or options are used to speculate on or hedge against currency movements.

Introducing Options for Forex Hedging

Options are powerful tools for managing currency risk. They provide the holder with the right, but not the obligation, to buy (call option) or sell (put option) a currency pair at a predetermined rate within a specified timeframe. For businesses, options act as a form of insurance, helping to protect against unfavorable currency movements by setting a predetermined exchange rate.

Types of Options for Forex Risk Hedging

Options can be categorized based on their exercise style and expiration date:

Call Option: Gives the holder the right to buy a currency at a predetermined rate, useful when expecting an exchange rate increase.

Put Option: Allows the holder to sell a currency at a predetermined rate, useful when expecting an exchange rate decrease.

Options are further classified by their exercise style:

European Options: Can only be exercised at the expiration date.

American Options: Can be exercised at any point before expiration.

The choice of option type depends on the nature of the Forex risk and the business's risk tolerance.

The Role of Options in Forex Hedging

Options provide a flexible and cost-effective way to manage currency risk. Here's how:

Call Options for Upside Protection: If a trader expects to receive payment in a foreign currency but fears depreciation, they can purchase a call option to lock in a favorable rate.

Put Options for Downside Protection: If a trader needs to make a foreign currency payment and is concerned about currency strength, they can buy a put option to lock in a favorable rate.

Versatile Strategies: Beyond simple call and put options, traders can implement strategies like collars, straddles, or strangles for more tailored protection.



Leveraging Options & Derivatives In forex Risk Management

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 app. It displays a table of currency rates with columns for Currency, Bid, and Ask. Each entry includes a high/low range and a percentage change.

Currency	Bid	Ask
USDINR	73.3575	73.4575
29 12:55:39 Event		
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USDCNY	70.3525	71.4275
29 12:55:39		
H- 70.3636 L- 70.2636		+0.0675 (0.09%)

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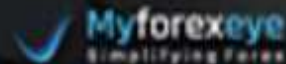
This feature gives you access to Transaction Process Outsourcing service for transactions including Cash, Tom, Spot, Forward, etc for both export and import.

International Trade Finance

Get access to trade services like Buyer's Credit, Supplier's Credit, Export LC Discounting and Export Factoring.

Forex Trading

This feature enables you to Buy/ Sell Forex and make money transfer for any purpose.



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