



Forex Market Insights

Volume 2 \rightarrow January 22 to January 28,2022

Welcome

Dear Members,

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The buildup towards the interest rate hikes are gaining ground, though for March meeting than the next week's FOMC meeting. So ECB and BoE (due to meet in Feb 1st week) may get to 'up the game' by increasing the interest rate on account of high inflation before Fed firms up a decision.

US treasury yields took a break from its hike and that took the Rupee, which went into red earlier this week, to end it higher. Few corporates sold dollar taking the currency to end the week higher. Indian equities lost its worth by 3.5% this week as FII's pulled out more than a net \$1bn this week. US equities fell as oil gained strength after a surprise increase in US inventories.

As the spread in infections picks pace, the budget expectations will make space in investor's mind which is scheduled for Feb 1.

Stay Safe.





Yours' Sincerely,

CA. Sunil. H. Talati Chairman

Key Takeaway Summaries

₹INR

The pair was mostly driven by bets that rising inflationary pressures might prompt a quicker unwinding of bond purchases

€ EUR

The markets have been pricing in the possibility for an eventual Fed rate hike in May 2022

£ GBP

Pair managed to rallied above from it's low after US consumer data missed expectation and ended the week on a higher note.

¥ JPY

, The BOJ might increase its credit market purchases and the government will present yet another supplemental spending budget.



FINR

REPORATE	GDP
4.0%	12.7%

Events to WATCH

USD/INR ended the week 0.31% higher at 74.4150 after falling for almost 4-weeks. The pair was mostly driven by rising US Treasury yields and Dollar index amid worries over the likely pace of rate increases by the Federal Reserve. Crude oil prices touching a 7-year-high also weighed on the rupee. On the other hand, losses were capped by corporate dollar inflows, overseas bond issuances and profit booking by speculators. It is an eventful and important week for dollar on the economic calendar.

However, it's a quieter week for rupee with Indian markets closed on Jan 26. The week starts with PMI numbers followed by CB Consumer confidence numbers on Tuesday. Focus will then shift to the Fed's Jan 25-26 policy meeting, where it is not expected to make any changes to the pace of tapering or interest rates. Market participants will be eyeing any cues on the possibility of a pushback from Chairman Jerome Powell over the pace of interest rate hikes. If the US yields continue to increase, direct capital flows might be directed outside India, weighing on Indian equities and hence, the rupee. Crude oil prices will also be in focus as higher oil prices increase inflation risks and concerns about India's high trade deficit combined with its oil imports which are nearly 85% of its crude oil requirements may further increase the pressure on rupee.









SUSD

REPORATE	GDP	
0.25%	2.3%	

Events to WATCH

Jan 24,2022 20.15Hrs Manufacturing PMI (jan) Jan 24,2022 20.15Hrs Market Composite PMI (Jan) Jan 24,2022 20.15Hrs Services PMI (Jan) Jan 25,2022 20.30Hrs **CB** Consumer Confidence (Jan) Jan 26,2022 20.30Hrs New Home Sales (MoM) (Dec) Jan 26,2022 20.30Hrs New Home Sales (Dec) Jan 27,2022 00.30Hrs Fed Interest Rate Decision

> Myforexeye Simplifying Forex

USD/INR ended the week 0.31% higher. Momentum indicators (MACD and RSI) lie in the neutral zone. There is a gap in the daily chart from 73.9750-74.0400 and such gaps usually fill in USDINR. Levels around 74.72 could be a technical resistance. Immediate support lies around 74.30-74.35 followed by 73.75. Expect the pair to attempt a move towards 74 before rebounding to 74.75 levels. Importers are advised to hedge their positions around 74.10-74.15 levels and exporters are advised to target 74.70+ levels.







EUR EUR

REPORATE 0.0%

GDP 2.2%

Events to WATCH

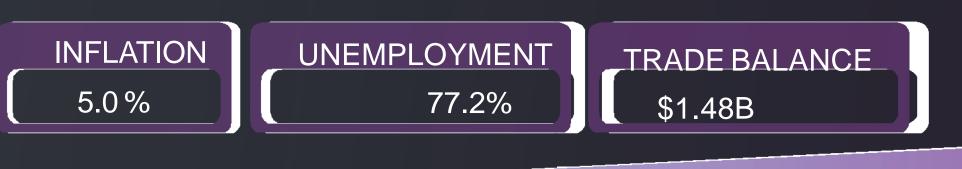
2022, Jan 24 14..00 Hrs German Manufacturing PMI (Jan) 2022, Jan 24 14..00 Hrs German Service PMI (Jan) 2022, Jan 24 14..300 Hrs Manufacturing PMI (Jan) 2022, Jan 24 14..00 Hrs Manufacturing PMI (Jan) Jan 25 ,2022 15.00 Hrs German Ifo **Business Climate** Index (Jan) Jan 77 ,2022 12.30 Hrs **GFK** German Consumer Climate (Feb)



The central bank of US will have a meeting on monetary policy in upcoming week and will release the monetary policy decision on Jan 26. No action is anticipated at this time, besides market participants are expect for clearer indications about rate hikes. Investors are considering first rate hike for Mar 2022 and around 3 hikes in this year. The ECB on the other hand at end of the spectrum. European policymakers acknowledge that high inflation may last longer than expected and even move above their comfort level, but up to today, they are not willing to level up financial support, pertaining a cautious stance. The upcoming week will begin with German Manufacturing PMI (Jan), Manufacturing PMI (Jan), Markit Composite PMI (Jan), German Ifo Business Climate Index (Jan). If the Stats would be positive It will provide the headwind to the euro.

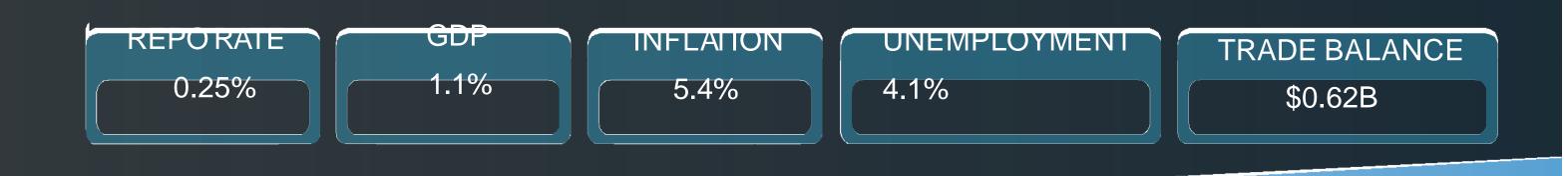


EUR/USD ended the week lower at 1.1340. The pair witnessed huge selling momentum earlier in the week however, a bullish crossover can be seen in the MACD. Momentum indicators (MACD and RSI) lie in the neutral zone. Levels around 1.1365-1.1370 could be a technical resistance. Immediate support lies around 1.1313 followed by 1.1300. Expect the pair to consolidate in the broad region from 1.1275 to 1.1345.





E GBP



Eventsto WATCH

Jan24, 2022 14.30 Hrs Manufacturing PMI

> Jan 24, 2022 14.30 Hrs Market Composite PMI

Jan 24, 2022 14.30 Hrs Services PMI GBP/USD was down by 0.9% this week. Pair remained in back foot from the start of the week despite a release of high CPI data, pair mainly remained in pressure over UK Political uncertainties and faster Fed hike view. Continuation over Prime Minister Boris Johnson future may lead to further downside for the pair. On the positive side Covid cases in the UK are tumbling down which can help the pair to rebound. On the event side it's a quite week for the pair. Composite and Manufacturing PMI along with Services PMI is set to release in the start of the week itself, there is no other major event in UK while US have fourth quarter GDP data in the last of week higher than expected data can weigh the pressure on the pair and vice versa.

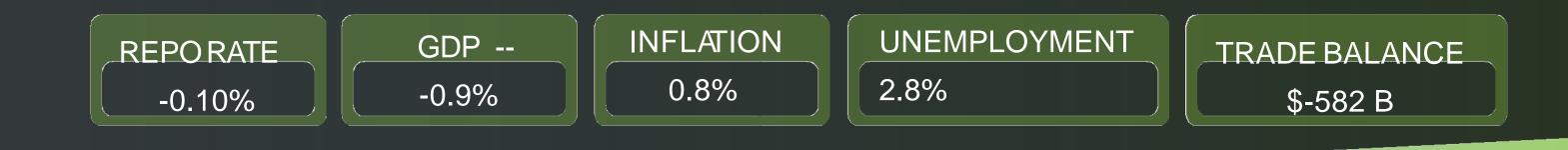


The GBPUSD pair ended the week 0.9% lower. Pair remained in a bearish trend most of the time in last week and trading at it's near term support \$1.3545 – 50. On 4 hourly chart 20days SMA is cutting 50days SMA from the upside signaling a continuation of bearish mode of the pair while RSI trading at 32 which is considered to be an oversold indicating a slight recovery for the pair.





¥JPY



Events to WATCH

Jan24, 2022 06:00Hrs Manufacturing PMI (Jan)

> Jan24, 2022 06:00Hrs Service PMI (Jan)



USDJPY weakens to 1-month low ahead of Federal reserve meeting. Market is indecisive that Fed balance sheet reduction could start in Mar. In its assessment of the economy, the Bank of Japan said the recovery was becoming clearer, more positive view which seems to indicate the latest movement. Japan's economy shrank at a 3.6% rate annualized in the 3rd quarter. The Fed quite emphatic in to a tightening bias. This has had the effect most dollar gains which are being whittled in the US Fed traditional stance blackout before a meeting. Fed Chair Jerome Powell will be asked about this and his reply will set the market reaction. The sooner the reduction starts and the faster it proceeds. Going ahead in the week Manufacturing PMI and Service PMI will be the Key events for Japan .



Support is strong at 113.25 backed 100 day Moving average. If the USD/JPY slips below the threemonth low at 112.75, it will likely not rest until 2nd support at 112.40 on trend line. MACD (Moving Average Convergence Divergence) bias Negative and RSI (Relative Strength Index) have increased slightly over last week. Case for a rebound ahead of the US Fed meeting on Wed. The MACD spread is now at its widest of the decline. The previous week high would be the resistance benchmark for the pair.





Does Speculative Currency Attack Leads To Financial Crisis?

Ever wondered how the currency jumps on certain days even though there aren't any significant events or data released? The foreign exchange market has huge volumes thanks to the currency traders rather than the exporters or importers who want to convert their payables or receivables.

Most traders believe a particular trend in which a currency pair will move and take positions accordingly. Assuming these are well informed and forex educated traders, there are bound to be stop loss levels in place. But ever so often, we see traders who believe the value of one currency is over-valued against the other and thus sell that currency expecting a fall in it. Simultaneously they also buy another currency. Thus making profit by seeing upward potential in the currency they purchase. When the currency of a country is fixed or pegged, then the speculators who attempt to manipulate the market may succeed if the respective central bank doesn't have enough forex reserves to purchase its domestic currency. Thus the pegged currency may not hold all together.

Black Wednesday in 1992

Most of us have heard of the Black Wednesday in UK when there was a speculative currency attack by George Soros on September 16, 1992 on Bank of England. That was the time when Pound was semi-pegged as it was under the European Exchange Rate Mechanism (ERM) wherein the currency could move within a 6% in either direction – thus central bank intervened to keep a check on its movements with counter trades. George Soros short sold more than \$10 million worth of Pound which prompted Bank of England to buy £1 billion worth of its own currency within two hours of the market opening on Wednesday. This prompted the Bank to raise interest rates from 2% to 5% in one day in order to resolve the currency attack attracting the pound, but that too didn't work and finally the Bank of England withdrew from the ERM to let the market revalue the pound to lower levels which were more appropriate.

Black Thursday in 1997

A similar attack happened on October 23, 1997 with Hong Kong Dollar wherein the interbank interest rate rose to triple digits and monthly interest rate rose to 50%. Though it settled the currency initially, but later in 1998 further attacks with high interest rates took a toll on the Hong Kong Dollar. This was along with the devaluation of Thai Baht as Thai government was unable to support the pegged currency to the dollar due to lack of forex reserves. After Hong Kong sourced large amounts of money from China, the central bank successfully defended the attack. These currency attacks led to the 1997 Asian financial crisis.

Learning from Speculative Currency attacks

The central bank cannot always manage the currency attack through interest rates by increasing them to a great extent which becomes an expensive endeavor – often futile. Since governments have chosen to stay with a pegged/semi pegged policy, they may not always be right. Loopholes prevail which are awaited by many currency attackers. But at the same time, the government stepped in at the right time (even though temporarily) shows the potential to resolve the issue at their end. Thus central banks can understand such issues and avoid future crisis caused due to regulatory constraints.







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

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Forex Research

Publications- Daily Reports, Premium Research, Daily Trading Calls, News, Case Studies, Weekly Report, Monthly Report, Blogs.

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8		A ⁺ 48
Corporate Fx	Personal Fx	Futures Fx
Currency	Bid	Ask
USDINR	73.3575	73.457
④ 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
④ 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	0.665
③ 29 12:55:39		
H- 0.6656 L-	0.6635	+0.0001 (0.03%
CNYINR	11.2023	11.203
9 29 12:55:39		
H- 11.2045 L-	11.1607	0.0416 (0.37%
USDCNY	70.3525	71.427
H- 70.3636 L-	70.2636	+0.0675 (0.09%
~ 45	MFE	<i>c</i> •
		Jos L
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