



# Forex Market **Insights**

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## Newsletter

Volume 1

→ January 15 to January 21, 2022



# Welcome

Dear Members,

We are happy to share that SEPC in partnership with Myforexeye is launching a Forex Newsletter. This newsletter will have market intelligence to help our members plan their remittances and receivables in foreign currencies from their exporters/importers through banks for the coming week. This information will help the member in working out their receivables/payments in a planned way thereby saving themselves from currency volatility and creating savings on Forex exchanges value.

Intervention by RBI to control rupee movement saw the local currency appreciate above November peaks. The finance ministry data on 43% of forex reserves to repay total overseas debt would catch the investor's eye sooner than later. The inflation numbers from India and US drove the markets this week. But with FOMC and ECB meetings due later this month, the investors are watching out for key data due from these economies. Drama on US China trade conflict which was reignited during their virtual meeting in November, would be watched out for.

The Omicron variant has out-beaten the Delta one in infected numbers but with less severity for the vaccinated. But the equity markets across the world have fallen since the beginning of this year.

We hope this new feature will help you in your forex journey

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.

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# INR

**REPO RATE**

4.0%

**GDP**

12.70%

**INFLATION**

5.59%

**UNEMPLOYMENT**

6.9%

**TRADE BALANCE**

\$ -21.68B

## Events to WATCH

It's a quiet week ahead on India's economic calendar ahead with no material data releases scheduled. Focus will remain on the RBI, rising covid cases, crude prices and the fed. The US markets will be closed on Monday on account of Martin Luther King, Jr. Day. The US will not publish any material stats, although the macroeconomic calendar includes the usual weekly unemployment data and some housing-related figures. Next week, we expect slightly weakened housing numbers of 1.670 million-unit pace. Despite the softening from the last print, this final data point of 2021 indicates a strong end to 2021, as demand has remained strong. That said, the pace of housing starts has been hampered by an uphill battle against material and labor shortages lately, which has translated into higher input costs and extended project deadlines. We expect next week's data to show sales of existing homes rose slightly to a 6.49 million-unit pace in December



## Events to WATCH

Jan 19, 2022  
19.00 Hrs  
Building  
Permits  
(Dec)

USDINR seems to finally turnaround after bottoming out around the 73.75 – 73.80 region. The pair bounced back after from its previous support region. It ended the week at 74.15 after hitting a weekly high of 74.21. There is still a visible down gap in this pair – 75.82 (20 Dec'21) to 75.745 (21 Dec'21), we have seen an umpteen number of price gap closing instances in the USDINR daily charts. Momentum indicators seem to reversing from the oversold extremes on the daily chart while the weekly chart has formed a perfect hammer formation indicating a reversal of this current downtrend. We hope importers have adequately hedged their position below the 74 mark as the pair might start weakening. Exporters can target 74.60+ levels to restart hedging.





## Events to WATCH

Jan 17, 2022

15:30 Hrs

CPI (YoY)  
(Dec)

Jan 18, 2022

15:30 Hrs

German ZEW  
Economic  
Sentiment  
(Jan)

Jan 20, 2022

15:30 Hrs

CPI (YoY)  
(Dec)

Jan 20, 2022

18:00 Hrs

ECB Monetary  
Policy  
Statement

Finally, EUR/USD shined from its over-a-month inactivity, rising to 1.1485 and ended the week 0.5% higher, US dollar downfall during this week helped the pair to gain some handful pips amid disappointed US CPI rise released in the middle of week. Rising Covid cases in whole world might hamper the pair upward trend in the upcoming weeks. On the event side it's a quite busy week ahead for the pair. Week starts with yearly CPI - A higher than expected reading should be taken as positive for the EUR followed by MoM CPI. Middle of the week German ZEW Economic Sentiment is set to release which is expected to come slightly higher than the previous release. Events of Eurozone ends with German PPI is to be release on Thursday.

The EURUSD pair ended the week 0.5% higher. Pair remained in a upper trend most of the time in last week and able to close above \$1.14. Looking at the chart \$1.15 is not too far breaking of these levels might open doors for good upside move for the pair but 100 days SMA lies around 1.1340 – 45. On 4 hourly chart MACD giving bearish signals while RSI is trading neutral zone.



# £ GBP

REPO RATE

0.25%

GDP

1.1%

INFLATION

5.1%

UNEMPLOYMENT

4.2%

TRADE BALANCE

£-0.62 B

## Eventsto WATCH

Jan 18, 2022  
12:30 Hrs  
Average  
Earnings Index  
+Bonus  
(Nov)

Jan 18, 2022  
12:30 Hrs  
Claimant Count  
Change  
(Dec)

Jan 19, 2022  
12:30 Hrs  
CPI (YoY)  
(Dec)

Jan 19, 2022  
19:45 Hrs  
BoE Gov Bailey  
Speaks

GBP/USD was up by 0.6% this week. Pair pushed down from the US interest rate hike optimism initially but “Thanks to US CPI rise disappoints “which helped the pair to hit a 11-week high against dollar in this week. Investors sees a interest rate rise in February from Bank of England & see limited risks linked to Prime Minister Boris Johnson's party scandal which might help the sterling to strengthen further in the upcoming weeks. On the event side it’s busy week for the pair. Week starts with claimant count change of December month. In the middle yearly CPI is set to release of UK - A higher than expected reading should be taken as positive for the pair, while a lower than expected reading should be taken as negative followed by BOE Gov Bailey speaks - Bailey has more impact over pound’s value than any other person. Week ends with Dec. month Retail sales data.



The GBPUSD pair ended the week 0.6% higher. Pair remained in a bullish trend most of the time in last week and able to close near psychological level of \$1.37. Pair is trading in upper trend it might take a resistance of 1.3775-80 while trend line support lies around 1.3590 - 95. Breaking of these levels can push back the pair towards 1.3535 levels where it can get a support as SMA of 100 days lies there. On 4 hourly chart MACD giving bearish signals while RSI is trading neutral zone.



# ¥ JPY

REPO RATE

-0.10%

GDP --

-0.9%

INFLATION

0.6%

UNEMPLOYMENT

2.8%

TRADE BALANCE

¥-955B

## Events to WATCH

Jan 18, 2022

8.30 Hrs

BoJ Outlook Report (YoY)

Jan 18, 2022

8.30 Hrs

BoJ Monetary Policy Statement

Jan 18, 2022

8.30 Hrs

BoJ Press Conference

In the upcoming week, the Bank of Japan meeting is scheduled on Tuesday it's likely to produce no material policy changes. If the bank unveils a new economic support package, it is expected to have a muted impact on the market. National CPI for December is might not alter the BOJ's view of inflation. Key data releases for the US include Existing Home Sales, Building Permits and Housing Starts for December, these too are expected to have a muted market impact. If US Treasury rates stay below 2.0% and risk-on market sentiment continues with its negative implications for the US dollar, the USD/JPY will start recovering.

The dollar has lost its value fairly quick against the Japanese yen as it broke through the ¥115 handle and the ¥113.50. The weekly candlestick is very pessimistic for the dollar as it has effectively wiped out past 3 weeks of gains. We should be on the lookout for signs of exhaustion in the pair once it successfully breaks below the ¥112.50 level as then it might fall even further towards ¥110 and even lower. Usually after candlestick formations such as this one we get there is a follow through, until we a sign of support something similar to a hammer, it would be akin trying to catching a falling knife. We can expect that happening around the ¥112.50 handle but if it doesn't, we might go much lower.





# BLOG

Any transaction in the foreign exchange market is subjected to the highly volatile forex rates, thereby necessitating the utilization of effective risk hedging strategies to safeguard against potential losses. Any shifts in the dynamics of supply and demand, global financial turmoil, unprecedented political situations, etc. are all influencing factors that can bring dramatic swings in the foreign exchange rates, jeopardizing the profitability of corporates. Thus, the importance of foreign exchange risk management is highlighted and it becomes imperative to implement certain systemic hedging techniques to manage the impact of forex volatility.

An appropriate hedging method along with an understanding of what needs to be hedged and why it needs to be hedged are paramount to formulate an effective forex hedging strategy.

A prudent foreign exchange risk management policy is driven by corporate objectives, policy and strategy, and is empowered by the right forex risk management processes. The leading corporate objectives can include :-

Protecting assets and liabilities from forex rate movements.

To minimize adverse effects of forex volatility on earnings and cash flows.

To safeguard the position towards competitors and achieve value maximization by active forex risk management.

To limit translation risk by means of a suitable risk hedging instrument.

The design and implementation of an effective risk management strategy can be time-consuming and challenging. However, with increasing forex market volatility, it has become a need of the hour to safeguard an organization's bottom line and undertake other international activities that might be impossible in the absence of a prudent hedging strategy.

## Key points to consider for forex hedging policy

**Objective of the hedge** – what is the primary motive of hedging the currency? Margin protection or improving profitability or minimizing risk?

**Hedging transactions** – what types of exposures can be hedged - confirmed exposures only or based on past performance as well? Hedge for actual maturity dates or forecasted dates too?

**Strategy** – what strategy is to be followed in implementing the hedge – a strategic hedge, back to back hedge, natural hedge, etc.

**Tools and quantum** – risk hedging instruments to be used to execute the hedge - simple forwards/futures and/or vanilla/structured options. Which instruments for actual or anticipated exposures, what hedge percentages to be maintained across various maturities, etc.

**Review** – making a policy may be beneficial for a period of time but with ever changing market behavior, and interlinked economies, one needs to regularly review the existing policy to monitor and implement changes required to keep the policy evolving and relevant.



# 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 Myforexeye mobile application interface. At the top, there's a status bar with the time 09:15 AM and signal/battery icons. Below that is a navigation bar with a profile icon, a plus icon, a speech bubble icon, and a menu icon. The main content area is titled 'Corporate Fx | Personal Fx | Futures Fx | ...'. It displays a table of live forex rates for various currency pairs. The table has three columns: 'Currency', 'Bid', and 'Ask'. The currency pairs listed are USDINR, EURUSD, NZDUSD, AEDINR, JPYINR, CNYINR, and USDCNY. Each row shows the current bid and ask rates, along with a timestamp '29 12:55:39' and an 'Event' label. Below the table, there's a bottom navigation bar with five icons: Home, My Plans, MFE (Services), 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

## FX on Call

Get the best rates as the dealers of Myforexeye do live negotiation with the Bank on a conference call, which includes the client too.

## Order For Forex

This feature enables you to Buy/ Sell Forex and Transfer Money for any purpose.

## Process Forex Transactions

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.



Ritik Bali  
8860447723  
advisory@myforexeye.com



Shoumi Dasgupta  
9999491022  
shoumi.dasgupta@servicsepc.org