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Forex Market Insights

Newsletter

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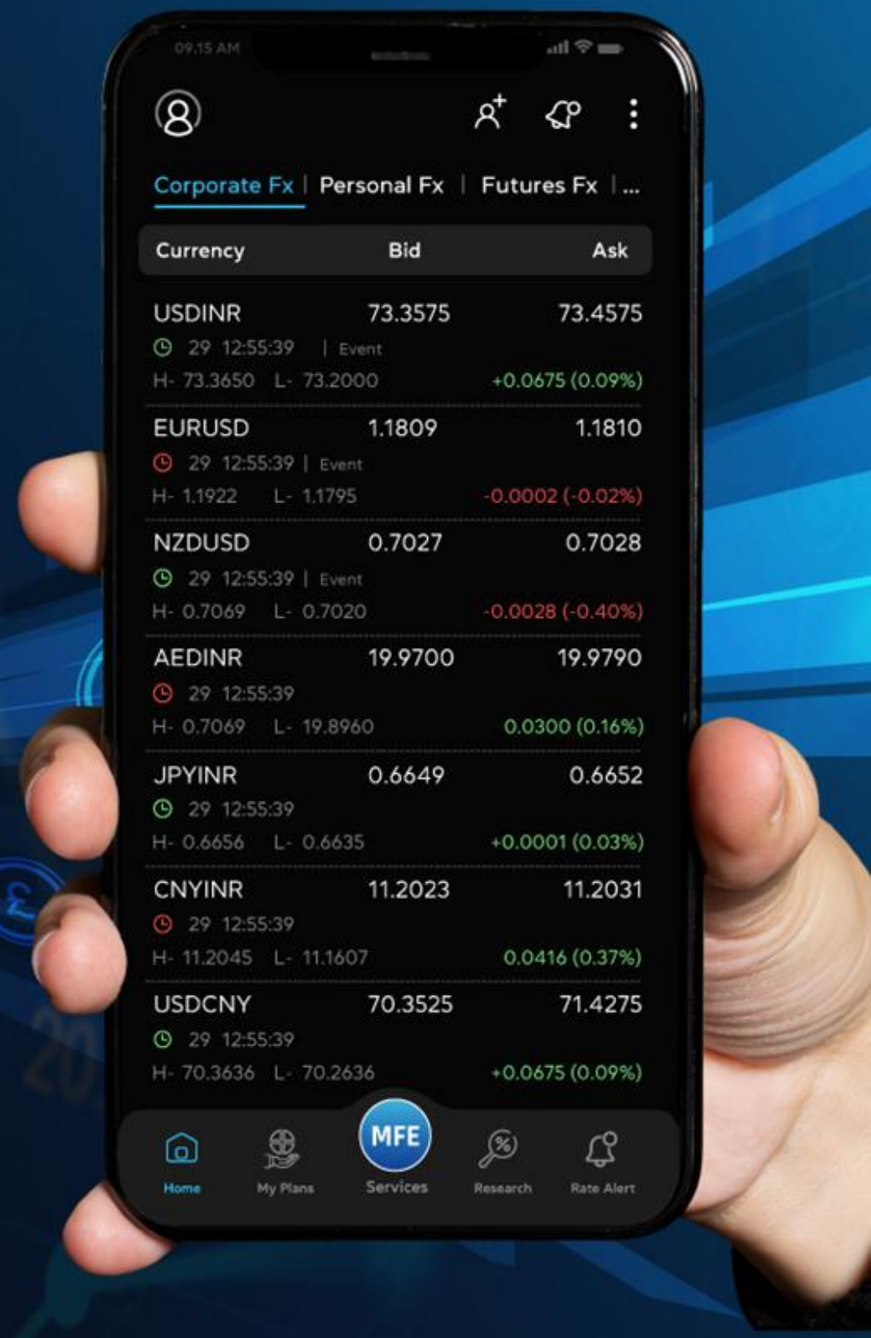
*Till December 2022



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Welcome

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Dear Members,

The Indian Rupee touched an all-time low of 79.95 during the start of the Friday's Indian trading Session during a dollar bullish rally ahead of firmer oil prices, higher US inflation rate coupled with recession fears.
Call buyers have an upper hand when compared to the bear traders in the current scenario.
On the global front, the DXY remained firm around 108.60 after regaining the two-decade high of 109.28 level in the previous week.

Upbeat US inflation figures boosted speculation that the Fed could hike rates by 100 bps, although it was subdued by comments from FOMC member, indicating that the markets may have gotten ahead of themselves by pricing a 100 bps rate hike in July. Comment further clarified that a 75 bps hike will bring the FEDs position to neutral.
It's worth noting that the US 10-year Treasury yields flashed 2.947% level while the 2-year bond coupon ranged around 3.118% which portrays the market's fears of recession appear reducing of late, and thus allowing the dollar buyers to take a breather.

Thank You

Yours' Sincerely
CA. Sunil H. Talati
Chairman

Key Takeaway Summaries

₹ INR

This was the 11th straight week where our beloved rupee weakened as foreigners continued to dump riskier assets.

€ EUR

The EUR/USD dropped for a third straight week to touch a fresh 20-year low of 0.9951.

£ GBP

The GBPUSD pair held on to its modest intraday gains and ended the week at the 1.1852 region.

¥ JPY

The US dollar carried on its bull rally, touching a 25 year high versus the yen on Thursday.

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₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.9%	0.8%	7.01%	7.8%	$-26.18B

Events to WATCH

This was the 11th straight week where our beloved rupee weakened as foreigners continued to dump riskier assets amid rising fears around a global recession. USDINR remained on the front foot from the start of week, though we saw some selling in the pair on the last trading day. This shows 80 is strong psychological level, which would be difficult to breach in the near term however, considering the current scenario of heightened concerns over a global recession could put further pressure on our local unit. It's quite an important week ahead for the pair on the economic data front.

US Building Permits (MoM) and US Housing Starts (MoM) is scheduled for Tuesday while US Existing Home sales (MoM) on the very next day while Philadelphia Fed Manufacturing Index is set to release at the end of week along with Services & Manufacturing PMI of this month. Market participants are now awaiting the Fed meeting outcome on July 27 for further action. Given this unfavourable situation for Importers due to major dollar strength currently, we would recommend buying USDINR on every dip for short term payments while Exporters can wait for higher levels for fresh selling. Our beloved rupee declining to fresh all-time lows is becoming a norm, rather than an exception. It fell to a new all-time low of 79.95 yesterday (striking distance to the coveted figure of 80).

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
1.75%	-1.6%	9.1%	3.6%	$-85.546B

Events to WATCH

Jul 19, 18:00
Building permits(Jun)

Jul 20,19:30
Existing Home Sales (Jun)

Jul, 20 20:00
Crude Oil Inventories

Jul 21 , 18 : 00
Philadelphia Fed Manufacturing Index(Jul)

Jul 21 , 18:00
Initial Job less Claims

Dollar index's relentless surge has pressurized all currencies across the board. Just for record, dollar index has sky-rocketed to 108.50 – 109; levels last seen in Sep'02. Pressure on rupee is a natural consequence. A rather unusual USDINR daily candlestick chart – a series of 22 successive green candles followed by a red candle yesterday. A green candle is formed when the close price is higher than the open price, and vice versa for a red candle. In addition to three old price gaps, highlighted by blue, grey and orange horizontal lines, a new price gap has formed last week – 79.44 (11Jul'22) to 79.51 (12Jul'22), shown by the red horizontal lines. These days, USDINR has lost its usual character of filling price gaps and it does not look like filling them up anytime soon. Momentum indicators have remained in the overbought territory for more than a month now and there looks to be no sign of any cool-off. Geo-political and economic uncertainties have completely overshadowed technical judgement.

In such extremely turbulent times, prudent sense to keep forex positions hedged. Importers should use vanilla options to hedge. Can use some forwards as well if forward rates are compatible with internal costing rates and risk management policy allows it. USDINR forward premiums (hedge cost) is substantially lower at 3% compared to the usual 4%-4.5%. Exporters can use an optimum mix of forwards as well as vanilla options. Some conservative structured options can also be explored according to risk appetite.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
0 %	0.6%	8.6%	6.6%	€-26.3B

Events to WATCH

Jun 19, 14:30
CPI (YoY) (Jun)

Jul 20, 11:30
German PPI (MoM) (Jun)

Jul 21, 17:45
Deposit Facility Rate (Jul)

Jul 21 , 17:45
ECB Interest Rate Decision (Jul)

Jul 21 ,17:45
ECB Marginal Lending Facility

The EUR/USD dropped for a third straight week to touch a fresh 20-year low of 0.9951, regaining modestly afterwards to settle around 1.0080 level. The global economic situation continues to worsen, and speculative interest rushes into safety, ultimately supporting the greenback. The Ukraine war shot up the demand for global food and energy, with the EU suffers the most from the latter, as it depends on Russia for oil and gas provision. Italian Prime Minister Mario Draghi announced he was resigning after coalition partner Five Star withdrew its support in a confidence vote, adding further trouble on the Euro side. Additionally the ECB lags behind the inflation war as it plans to hike rates by 25 bps for the first time in years on its meeting next Thursday. Further the MP decision will be announced this week Thursday by the central bank wherein the market participants are widely expecting a first 25 bps rate hike. The most awaited economic data of are the preliminary estimate of S&P Global's PMIs for July for the EU and the US on Friday. The Euro has sunk through the parity level to underline its inherent weakness. Although, this is a market which we believe will present selling opportunities yet again given enough time.

On the upper side, the region above 1.05 levels should offer significant resistance, and therefore we think any sign of exhaustion would be a good selling opportunity. The 1.05 level is an area important from the perspective of shorting the pair, while for going long on the pair at this level, first it needs to trade above the 1.08 level to be convincing. If we were to break down below the low of the previous trading week's candlestick, then it is likely that the market might test the 0.98 level. Eventually, a lot of this boils down to the interest rate differential between the two economies, and of course the decisions of the Federal Reserve. It's unlikely that the ECB will turn around and reverse course much quicker than the Federal Reserve ever will. It's worth paying attention to the candlestick for the previous trading week, which looks almost like a hammer, so there is the possibility of a significant bounce. However, at the first signs of exhaustion we're sure the market will penalise the Euro, and continue to flock towards the US dollar over all. We can expect volatility, but we still believe that the fundamental issues indicate further dollar strength.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
1.25%	0.8%	9.1%	3.8%	£-9.747B

Events to WATCH

Jul 19, 11:30
Average Earning Index+ Bonus(May)

Jul 19 , 11:30
Claimant Count change (Jun)

Jul 20 ,11:30
CPI (YoY) (Jun)

The pound has done a bit of grinding sideways during the last trading session of this week. Market participants think this is a “fade the rally” type of scenario in the market going forward. Traders don’t have any interest whatsoever in trying to fight the long-term momentum of the pair. The US Federal Reserve continues to tighten monetary policy. It is likely that we will see a more aggressive stance than what we have seen over the last several months by Fed. The GBPUSD pair held on to its modest intraday gains and ended the week at the 1.1852 region. Expectations that aggressive hikes in interest rates of the US won’t be matched by similarly dramatic moves by the BOE have contributed to the pound falling from close to 1.42 against the dollar a year ago to just a little above 1.18 in the last week. The important events in the upcoming week for the UK are Claimant Count Change, Unemployment Rate and CPI (YoY) (Jun).

The British pound slumped below the 1.20 level during the past trading week. The 1.20 level was a psychologically significant support level, therefore it’s likely that we will continue to see downward pressure. That being said, all momentum indicators are hovering in the oversold region, so we can expect short lived rallies. We think that any rally at this point will be shorted at the first sign of exhaustion. It is safe to assume that we can expect high volatility in this “fading rallies” type of market. On the higher side, it’s not until we trade above the 1.26 level that we would consider a trend reversal. As long as the Federal Reserve stays hawkish, US dollar will continue strengthening. We don’t like trading against the trend, so we have no interest in trying to go long. We should pay close attention to the 10 year yield in the United States, because if it starts to climb again that could be even further bearish for the Pound.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
-0.1%	-0.1%	2.5%	2.6%	¥ -2385B

Events to WATCH

Jul 21 ,05:20
Trade Balance
(Jun)

Jul 21, 05:20
Exports
(YoY)(Jun)

Jul 21 , 08:00
BoJ Interest
Rate Decision

The US dollar carried on its bull rally, touching a 25 year high versus the yen on Thursday. The rate decision of the Bank of Japan due next Wednesday, or possibly maintenance of status quo, will bring out a sharp variance with the US Fed's hyper-active policy. Whether the Federal Open Market Committee (FOMC) chooses a 75 or 100 basis point increase, the sovereign rate spread will probably extend in the weeks ahead. Before the previous BoJ meeting, some reports in the Diet and an indirect reference by Governor Haruhiko Kuroda to inflation's footprint on Japanese households that seemed to indicate that the bank was considering the policy. National CPI and trade data information for June is limited, and will not impact markets. US Existing Home Sales and S&P Global PMIs headline a limited release calendar. With US Fed rate dominance reinstated as the prime favorite, the overview for the USDJPY is higher regardless of any midway profit-taking.

The markets have priced in the Bank of Japan-US Fed policy divergence, with the Japanese currency meeting this week against the US dollar. The June 30 negative cross of the signal line by the MACD price line did not signal a lower trend, as it was easily negated by the fundamental factors favouring the pair. The positive crossover of the signal line the last Wednesday was indicated by the RSI touch on the overbought region but it does not signal a technical higher trend. Fears of the global recession in the 2nd or 3rd quarters kept the safety-trade lively and funds continued flowing into the US dollar. The strong resistance is at 139.38 (presented with a green horizontal line). The pair tested this level last Thursday. The major support region is in the range of (136.35- 136.65). The 136.35 level is at 0.236 fibonacci retracement.

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BLOG

Challenges Of Forex Trading You Should Know

Learn about the major challenges of forex trading, why you shouldn't trade currencies in certain situations to avoid losing your money, and the top reasons why forex traders lose money.

If you want to trade in a more liquid market with a low initial cost and enjoy higher returns, then forex trading could be what you're looking for. However, the forex market is highly volatile, with currency fluctuations. Besides the large profits and growing portfolios, there is another unpleasant side to the forex, which is ugly but true if you don't take precautions. So, let's take a look into the major **challenges of forex trading** that traders face.

Major Challenges of Forex Trading

Unlimited Leverage: Forex traders often borrow a certain amount of money from brokers to control or maintain large currency trading positions with low capital. Many traders use margin-based leverage, which is expressed in a ratio such as 100:1. For example, you can trade one standard lot of $1, 00,000 with a margin of $1,000. This ratio can go up to as high as 400:1 with a margin of 0.25%. However, one should carefully look at leverage levels to maintain safe and steady profits. As a basic rule for beginners, the potential loss should ideally be less than or equal to 3% of trading capital. With experience and exposure, one can frame their risk strategy according to their trading practices. Therefore, traders sitting on extremely leveraged positions and with inadequate savings should be careful.

Negligent moves can bring huge losses to your

Trilogy of Risks: When a forex trader considers expanding a particular currency portfolio, one must think at the macroeconomic level.

Unregulated And Limited: Although the forex market has high trading volumes, there is no international regulatory body that manages currency trading worldwide. In the USA, CFTC and NFA regulate forex trading. In India, authorities such as RBI and SEBI regulate forex trading. However, there is only limited scope for forex trading in India as only seven currency pairs such as US dollar, INR, EURO, and UK Pounds are legal to trade in India. The base currency for trading in India also needs to be INR.

Top Reasons Why Forex Traders Lose Money and Fail

Poor Discipline and Planning: Never allowing losses to control your emotional intelligence is the first step to an established discipline in forex trading. The goal is to accrue large gains by letting off small and consecutive losses. With customized risk management strategies and expected ROI plans, one can plan their trading day to mitigate common downfalls, thereby accomplishing more.

Unhealthy Relationship with Market: Aggressive trading without following or understanding the market can wipe out your portfolio to the lowest point possible. Having scenario analysis and following reactive strategies for every market fluctuation can alleviate the risk and mitigate unexpected losses.

Lacking technical knowledge: Before becoming a forex trader, it is necessary to gain the understanding and language relating to the currency market. With multitude of trading apps and forex courses available online with custom schedules, it has never been easier. Technical knowledge and hands-on experience give you exposure to the market and help in Do Your Own Research (DYOR) sessions.

another one of the forex

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.

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.

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