



Forex Market **Insights** Newsletter

Volume 79 → Aug 19th to Aug 25th 2023

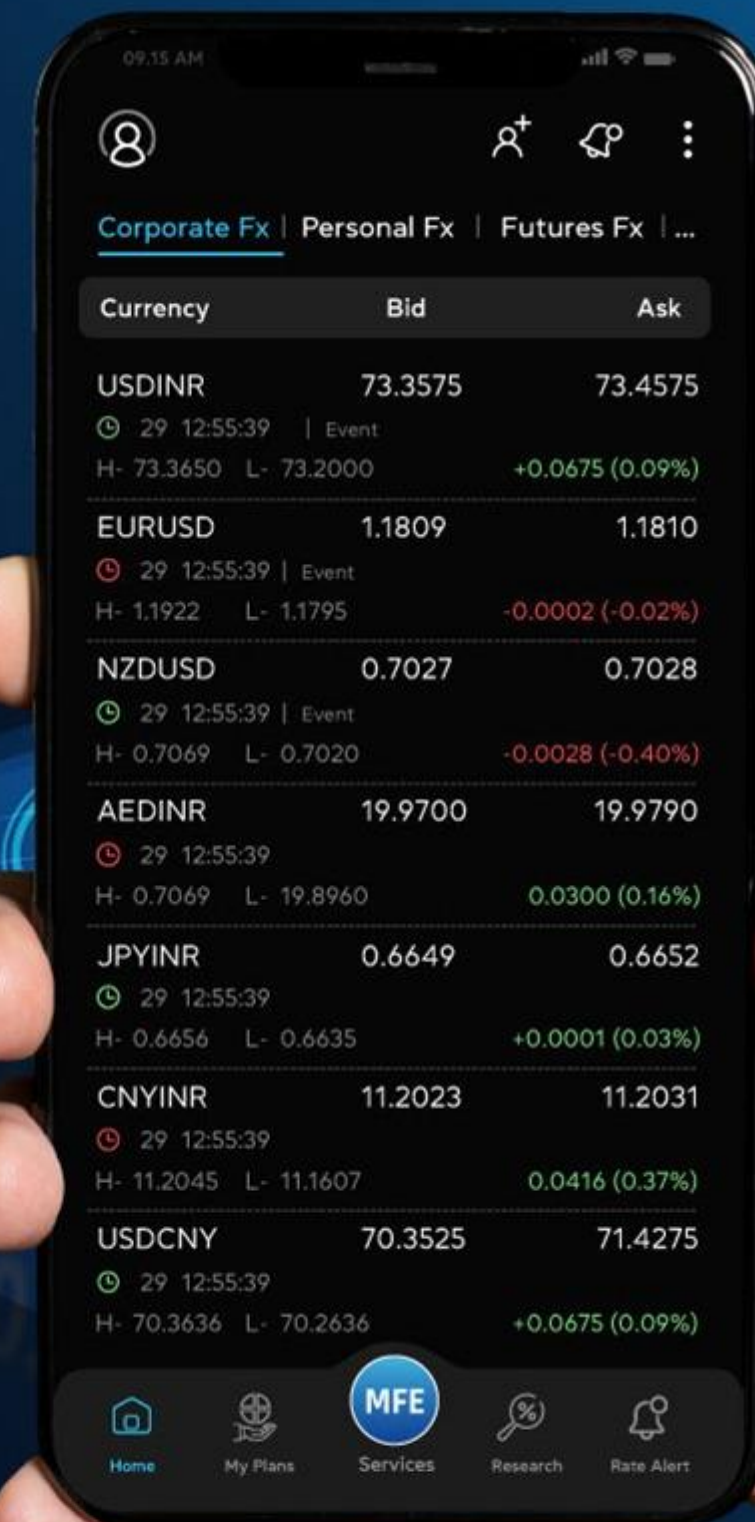
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***TILL MARCH 2024**



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Welcome



Dear Members,

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Stock markets experienced a widespread decline, influenced by several factors. One significant factor was a sharp rise in longer-term bond yields, which dampened investor sentiment. The release of the minutes from the Federal Reserve's July policy meeting had a notable impact. These minutes raised concerns among investors about how policymakers would respond to the ongoing signs of economic growth.

In Europe, the STOXX Europe 600 Index experienced a significant decline of 2.34%. This drop was primarily driven by mounting worries about China's economic outlook and the possibility of prolonged higher interest rates in Europe. In the UK, wage growth accelerated, putting pressure on the Bank of England (BoE) to consider further interest rate hikes. Concerns regarding the broader implications of China's economic weaknesses and the challenges faced by its property sector also affected Japan's stock markets, leading to a decline over the week. The Japanese yen weakened, trading at around JPY 145.5 against the U.S. dollar, compared to approximately JPY 144.9 the previous week.

These levels were close to the nine-month lows that prompted Japanese authorities to intervene in the foreign exchange market back in September 2022 to stabilize the yen's value. Chinese stocks also faced losses as pessimism grew concerning the country's ongoing economic recovery.

Thanks You

Yours' Sincerely,
CA. Sunil H. Talati
Chairman

Key Takeaway Summaries

₹ INR

The week USDINR pair made a weekly high of 83.16 which is also a 10-month high level as it was last seen in Oct 22.

€ EUR

The EURUSD pair continued its downward trend closing the week just above the low point reached in July at 1.0833. .

£ GBP

Core CPI increased to 6.9%, indicating the persistent sticky inflation in the U.K. The pound made a one-week high of 1.2787.

¥ JPY

US 10-year Bond Yield, which went as high as 4.32%, a 10-month high, sending the Yen, as low as 146.56 against the dollar.

SEPC
SERVICES EXPORT PROMOTION COUNCIL
Set up by Ministry of Commerce and Industry Government of India

Events to WATCH

Aug 25, 17:00
Deposit
Growth

Aug 25, 17:00
Bank Loan
Growth

A holiday shortened week resulted into a 3-day trading session as the Indian forex markets were closed on Tuesday and Wednesday on the occasion of Independence Day & Parsi New Year. The week USDINR pair made a weekly high of 83.16 which is also a 10-month high level as it was last seen in Oct 22. The major factor of Rupee weakening and breaching the 83-level is because of the continuous pressure in Yuan as the PBOC have cut down rates for one-year loans (medium-term lending facility) by 15bps to 2.5% which has exacerbated the Chinese currency to weaken to a 9-month low level. The Fed's meeting minutes revealed that officials were at odds on whether or not there was a need for further rate hikes last month, highlighting risks that exist to the economy if rates were raised too high. The minutes supported the projection that interest rates will likely stay high for some time by leaving the door open for further rate hikes. Therefore, the dollar index has also strengthened this week by 0.45% to settle the week at 103.47.



Fed chair Powell is scheduled to speak on Friday and markets will closely monitor comments for hints about the Fed's perspective on interest rates. The USDINR is expected to cool-off as PBoC is trying to release out the pressure from Yuan by intervening into the markets to sell dollars both off-shore & on-shore. The 2-year & 10-year US bond yields have also slightly inched lower to 4.93% & 4.25%, respectively. Fed Rate monitor is still showing a 90% chance of a pause in the September Fed Meeting. Till now in August 2023, 1.01 billion dollars have pumped in into the Indian equity markets. According to the historical evidence also, Rupee haven't made an all-time low 2 years consecutively, it has already made an all-time low of 83.29 in 2022 which looks unlikely to be broken. Key events for the upcoming week are as follows RBI MPC Meeting Minutes, Core Durable Goods Orders (MoM) (Jul), New Home Sales (Jul) and Services PMI (Aug).

Events to WATCH

Aug 22, 19:30

Existing Home Sales
(Jul)

Aug 23, 17:30

Building Permits

Aug 23, 19:15

Manufacturing PMI
(Aug)

Aug 23, 19:15

Services PMI (Aug)

Aug 23, 19:30

New Home Sales
(Jul)

Aug 24, 18:00

Core Durable
Goods Orders
(MoM) (Jul)



Despite ending stronger on Friday, Rupee ended the week on a negative note and decline by 0.3% on a weekly basis as worries of U.S. interest rates staying higher for longer pushed the local unit towards a record low earlier in the week.

This week pair breached its long term resistance of 82.80-90 this week which sustained for a longer period and now we are very close to the all-time high of 83.29 hit in October previous year, looking at the buying pressure in the pair there are chances that the pair could break all time high level too and afterwards 83.50. But we need to see some major points in the chart which is indicating downside move like most importantly the gaps – most latest created on 11th Aug – 14th Aug 2023 from 82.84 to 82.94 we also have the gap formed on July 27th to 28th (82.03 to 82.19). Additionally, a commonly used moving average (144-day) is around 82.30, not far from the unfilled gap. On the daily chart, momentum indicators like RSI and Stochastics are showing that the pair is overbought.

Importers got chance below 82 levels at the end of last month to hedge their payable we hope they have done if not now they can hold for a while can look to target 82.25-30 region to resume their hedging if mandatory they can chose vanilla for managing the risk. Exporters, on the other hand, should increase their hedge ratio certainly these levels are above their benchmarks good for the business profitability.

Events to WATCH

German PPI(MoM)(July)

Aug 23, 13:30
Services PMI (Aug)

Aug 23, 13:30
S&P Global Composite PMI (Aug)

Aug 25, 11:30
German GDP (QoQ) (Q2)

Aug 25, 13:30
German Ifo Business Climate Index (Aug)

The EURUSD pair continued its downward trend closing the week just a few pips above the low point reached in July at 1.0833. With limited significant macroeconomic data on the horizon, financial markets remained fixated on developments in China, particularly concerns stemming from the troubled real estate sector, which were exacerbating an already sluggish economic recovery. Within the European Union, service sector output coming next week is expected to decline, though it is anticipated to remain in expansion territory for the most part. This event will feature commentary from central banks around the world, but the spotlight will be on Federal Reserve Chair Jerome Powell, who is scheduled to speak on Friday. Market participants will be eagerly awaiting Powell's insights into the future of monetary policy. However, Powell is likely to reiterate the Fed's commitment to a data-dependent approach and emphasize that interest rates will continue to be kept at elevated levels for an extended period to combat inflation. More important events to following include German PPI (MoM) (Jul), Manufacturing PMI (Aug), and S&P Global Composite PMI (Aug).



The EURUSD opened at the 1.0951 level. The Euro has continuously depreciated and traded in a range of 1.0960-1.0844. As per the daily chart frame of the pair, it can be seen that the pair broke below the 1.0939 levels, that was acting as a short term support. Continuing dollar strength followed by the Fed minutes which indicated a hawkish stance due to the sticky inflation in the US economy, has kept some pressure on Euro. The R1 might be placed at 1.0945 if the pair is able to advance through the barrier. The signal (yellow) line of the RSI Indicator is above the RSI 47 (purple) line, indicating a neutral call. We might see the S1 at the current levels of 1.0833 supporting the RSI movement. The MACD indicator also supports the movement of the RSI, as we can see the MACD (blue) line moving parallel with the red line indicating no clear movement and overall neutral. If the EURUSD falls, the 1.0796 level will serve as a significant support level.

Events to WATCH

Aug 23, 14:00
Manufacturing PMI

Aug 23, 14:00
Services PMI

Aug 23, 14:00
Composite PMI



After four consecutive weekly decreases, the British pound was able to outperform the U.S. dollar. Sterling gained because of the accelerated growth in average earnings excluding bonuses increased by 7.8% for the three months ending in June compared to the same period last year, supporting the notion that the central bank would need to tighten monetary policy further to control inflation. Also, the Core CPI increased to 6.9%, indicating the persistent sticky inflation in the U.K. Following the data release markets are now predicting that BoE will now increase the interest rates to 5.95% in the first half of 2024, which is higher than 5.5%, current interest rates in the U.S., which already seems to be at the peak. The pound made a one-week high of 1.2787. August preliminary Manufacturing and Services PMI data from the UK and the US will be eyed on Wednesday. It will be interesting to watch if the US dollar can maintain its strength throughout the eagerly anticipated Jackson Hole Symposium week of the US Fed. On Thursday, Powell, Fed chair, will make the opening statement. His comments will be extensively examined by the markets for clues regarding the Fed's view on interest rates at its three upcoming meetings this year.

During the week, the British Pound went down but then went up a bit by the end, ending on a somewhat positive note. We're not much far from a significant support at 1.2650, which market participants have been closely monitoring. The current trend appears stable—a phase of consolidation near these levels. If the significant support breaks, it could lead to a drop towards a psychological figure of 1.2400. To move upwards, surpassing 1.2785 is crucial as 50 days moving average is located there. Achieving this might propel the pair toward 1.2900 and potentially even 1.3000 (long term resistance). On the daily time frame, the momentum indicators RSI and Stochastic are trading in a neutral range, suggesting a balanced market situation.



¥ JPY

REPO RATE

-0.10%

GDP

01.5%

INFLATION

3.3%

UNEMPLOYMENT

2.5%

TRADE BALANCE

-¥ 78.73B

Events to WATCH

Aug 23, 6:00
Manufacturing
PMI (Aug)

Aug 23, 6:00
Services PMI

Aug 25, 5:00
Tokyo Core CPI
(YoY) (Aug)



USDJPY continued its uptrend during the start of the week, and fell towards the end, but still managed to post a weekly gain. The gain in the pair was due to the upsurge in the 10-year Treasury Bond Yield, which went as high as 4.32%, a 10-month high, sending the Yen, as low as 146.56 against the dollar, a level last seen in November 2022. Yields rose due to hawkish FOMC Meeting Minutes and bullish economic data release of the U.S. However, on Friday, the National CPI for July came higher to 3.3% (YoY), surpassing the market consensus of 2.5%. However, the reported inflation may not meet the BoJ's ideal requirements for a change in policy given the general economic fragility in the local economic activity. With the same stance of BOJ yen will be under pressure and BOJ expected to intervene at these levels to support yen. Also, S&P Global Services and Manufacturing PMI, Existing Home Sales, Building Permits from the U.S. economy, and the Tokyo CPI and Core CPI will be eyed for further cues. Jackson Hole Symposium, towards the end of the week, Powell's opening statement and comments from other Central Bank chairpersons will be scrutinized for further market movements.

USDJPY opened at 144.91, the yen was under pressure this week, making a weekly high of 146.56 breaking the 145 level that was proved to be a resistance in June end. During the week, it traded in a range of 144.64-146.56. On the daily chart frame, the resistance level for the USDJPY can be seen at 146.50; the BOJ draws attention to these levels in light of recent intervention, with the pair last trading at 145.36 as a result of the decline in US bond yields. According to the MACD indicator, a sell signal is indicated by the MACD (blue) line is above the red line and the fact that it is so near to the zero level. Any movement above the 0 level will cause the pair to go upward. The RSI 14 (purple line) is above the yellow signal line indicating a sell signal supporting the MACD. The S1 can be placed at 143.66 if we see a correction in the pair.





BLOG

Correlation Between Foreign Exchange Market And Stock Market Movement

The stock exchange and interest rate are crucial factors of economic growth of any nation. The impact of interest rate on stock exchange offer valuable implications to monetary policy, risk management practices, financial securities valuation and government policy towards financial markets.

It is the stock market where shares are issued and traded either through exchange or over the counter markets. The forex market influences the stock market in many ways and the stock market too influences the forex market. In fact, if one observes it carefully, one will find that all the markets in the economy move in different directions depending on the movement of money.

Positive correlations between Sensex & INR

If one conducts a research on the market, one fact which will be clearly evident is- the sensex and the rupee movement share a strong and positive movement between them. Say when the market goes up, rupee appreciation is direct result you will witness and when it is the contrary, rupee level depreciates.

Going a little beyond, you will find that sensex and rupee is directly and indirectly affected by several similar factors-that includes the outlook for the Indian

economy, governance, trade deficit/ surplus, foreign institutional investors (FII) inflows and outflows Forex Reserves, monetary policies undertaken by Governments across the globe.

Among the various factors that experts say are positive correlation between rupee and the Sensex is FII flows. As a direct consequence of FIIs pouring in money, the market rises. Since FIIs need the Indian currency to invest in the Indian market, the demand for the rupee goes up, in turn, boosting the currency. A stronger market leads to a better outlook for the rupee leading to further inflows thereby leading to rupee appreciation.

How Does It Affect the Global Trade?

The connected ecosystem of the global market plays a decisive role in how the stock market influences the Foreign Exchange market. The stock market has a huge bearing on the economy, it is often the first source of information for investors, consumers and other stakeholders of the economy who want to understand the direction the currencies might take. The indicators also show how the economy is performing and ultimately determine the price and general inflation in the economy.

The general inflation rates affect the interest rates and this too in turn affects the level of investments. Investments are ultimately the main factor that determines the value of a currency at the forex market.

If you are a corporate and involved in the export and import of goods and services, you would want your Forex Management team to guide you to trade gainfully taking into considerations the market dynamics, currency volatility as well as geo political state of affairs impacting the rise and fall of currencies. Isn't it? But if you are unable to receive such expert services because you do not have a trusted partner or in house team to guide you.

No worries, in such a case you can consider outsourcing your forex management needs to Myforexeye as we are helping more than hundred MSMEs in the international trade business in India from various verticals with our personalized forex and trade finance management services. Get in touch today or drop in your query for our support service team to answer all your questions with adequate information.



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 displays the 'Corporate Fx' tab of the mobile app. It features a table of live rates for various currency pairs. Each entry includes the currency pair, bid and ask prices, a timestamp, and a percentage change. The bottom navigation bar includes icons for Home, My Plans, Services (MFE), Research, and Rate Alert.

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%)	

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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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