



Forex Market **Insights** Newsletter

Volume 115 → May 11th to May 17th 2024

Exclusively for SEPC members:

Complimentary

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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 understand the importance of staying informed about global economic trends and factors that could impact our business. Last week presented a peculiar scenario for economic data in the U.S, with a notable absence of significant releases, leaving the spotlight largely on foreign central banks. While the Bank of England, Reserve Bank of Australia, and Banxico maintained their policy rates. Additionally, Sweden's Riksbank anticipated cut its policy rate, while Brazil slowed its monetary easing pace.

The FOMC's announcement to taper its balance sheet runoff program provided a boost to the US Dollar, which regained strength amidst consolidative movements in US yields. Looking forward, upcoming data releases including Producer Prices, CPI prints, Retail Sales, Business Inventories, and housing market indicators will shape market sentiments. The possibility of a rate adjustment in September gains traction, supported by indicators like higher-than-expected weekly Initial Jobless Claims and cautious messages from Fed policymakers.

Traders will focus on US CPIs for April, with potential downside risks influenced by slower output price growth and declining y/y change in oil prices. Meanwhile, Japan's GDP data for Q1 will be closely watched, potentially impacting the yen's trajectory. A sustained recovery in the yen may hinge on GDP data revealing accelerating growth, fostering speculation of a BoJ rate hike.

Thank You



Key Takeaway Summaries

₹ INR

The Pair started the week at 83.42, made a weekly high of 83.5225, and concluded the week at 83.50.

€ EUR

The pair, after touching 1.0813 due to the US Dollar weakened on Thursday on higher-than-expected weekly unemployment claims.

£ GBP

The GBPUSD pair experienced a dynamic week marked by fluctuations driven by economic data releases, central bank announcements, and market sentiment.

¥ JPY

The yen fell by almost 1.7% against the dollar this week, as traders tested Japanese officials' determination to maintain the currency.

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Events to WATCH

May 13, 17:30
CPI (YoY) (Apr)

May 14, 12:00
WPI Inflation (YoY) (Apr)

May 17, 17:00
FX Reserves, USD

The USDINR pair exhibited a stable movement throughout the week, marking a weekly range of 10.75 paise. The Pair started the week at 83.42, made a weekly high of 83.5225, and concluded the week at 83.50. Throughout the week the Rupee remained under pressure due to the dollar demand from oil companies and foreign fund outflow from Indian markets which offset the positive momentum in domestic currency. Continuous outflows from the domestic market were witnessed as investors remained cautious about the concerns over the country's election results. On Monday, the rupee was expected to appreciate a little as NFP numbers were less than expected showcasing the cool-off in the US labor market. Although the dollar index fell to its two-week low of 104.51 but rupee didn't appreciate and continued to remain under pressure for the rest of the week. Currently, Markets are pricing in a 60% chance of the Fed rate cuts in the September meeting, according to the CME Fed Watch tool.



According to the latest data released by the Reserve Bank of India, foreign exchange reserves experienced a significant rise of \$3.66 billion, reaching \$641.59 billion as of May 03. This increase follows three weeks of consecutive declines in reserves. The reserves had reached a historic peak of \$648.56 billion as of April 26 but then dropped by \$10.64 billion over three consecutive weeks, reaching \$637.92 billion in the previous reporting week. This trend showcases the RBI's proactive stance of interventions in currency markets to shield the currency from further depreciation. Furthermore, a higher growth projection from the IMF and Moody's, citing strong government expenditure and domestic consumption. These encouraging developments in the economy with high forex reserves strengthen the Indian Rupee and mitigate the potential for upward movement in the USDINR pair.

Events to WATCH

May 14, 18:00
PPI (MoM) (Apr)

May 15, 18:00
Retail Sales (MoM)
(Apr)

May 15, 18:00
CPI (MoM) (Apr)

May 15, 18:00
Core CPI (MoM)
(Apr)

May 15, 18:00
CPI (YoY) (Apr)

May 16, 18:00
Building Permits
(Apr)

May 16, 18:00
Philadelphia Fed
Manufacturing
Index (May)



Trading in the USDINR pair was subdued throughout the week, with the daily range remaining less than 5 paise for three consecutive sessions. Although the pair opened slightly stronger at 83.42, it reversed its gains to close weaker at 83.50, maintaining this trend for the week.

On the daily chart, the USDINR pair continues to hold above the 100-day EMA (blue line). Additionally, the 14-day Relative Strength Index (RSI) remains in bullish territory above the 50 midline, suggesting favorable conditions for further consolidation. Initial support is observed around the previous low of 83.26, with the next key support level unchanged at 83.00. Both support levels align with the 100-day EMA (blue line) and 200-day EMA (white line). Conversely, resistance is situated at the all-time high of 83.575 reached on April 19, 2024.

The pair has become range bound from 83.26-83.50 for quite some time now but this is not likely to continue forever and scenarios will definitely change. As of now, exporters should continue selling dollars and gradually increasing the hedge ratios. Whereas, importers still have to wait for the levels to drop and can target the recent support at 83.26 to initiate short-term hedging.

Events to WATCH

May 14, 11:30
German CPI (YoY)
(Apr)

May 14, 11:30
German CPI (MoM)
(Apr)

May 15, 14:30
GDP (YoY) (Q1)

May 15, 14:30
Industrial Production
(MoM) (Mar)

May 17, 14:30
Core CPI (YoY) (Apr)

The EURUSD pair continued its uptrend for the 4th consecutive week as it opened at 1.0758 levels. But the pair fell afterward with a slight recovery in the dollar index due to hawkish comments from Fed officials indicating that Fed will keep interest rates higher for longer. Throughout the week, the EUR/USD pair fluctuated within a narrow range slightly above the 1.0700 mark, between 1.0740-1.0780, lacking significant support from limited data releases. The pair, after touching 1.0813 due to the US Dollar weakened on Thursday on higher-than-expected weekly unemployment claims. While a rate cut by the ECB on June 6 seems likely, the extent of future cuts remains uncertain. Pierre Wunsch, governor of Belgium's central bank, suggested that easing monetary policy too soon carries less risk than maintaining tight policy for too long. Market participants currently anticipate a 75bps decrease in rates for the year. Next week, attention is focused on US CPI data for potential insights for the pair and the Fed rate cut.



The EURUSD pair stayed within a certain price range of 1.0700 to 1.0800 throughout the week. The 1.0700 mark is significant because it affects traders' emotions. Near the end of the week, there was a slight increase in buying activity, pushing the pair to reach a high of 1.0790. Right now, the pair is in a phase where the price is staying around the same level, as both buyers and sellers are waiting to see what the Federal Reserve will do, especially with the US CPI report due next week. If the pair drops below the support level at 1.0650, it could start a downward trend, possibly reaching the next important support level at 1.0600, which is shown on the chart. On the other hand, if it climbs above 1.0800, it might break through the 50-week EMA and move up to 1.0850. This week, the pair seemed to find support around the 50-week EMA, which is also shown on the chart.

Events to WATCH

May 14, 11:30
Employment
Change 3M/3M
(MoM) (Mar)

May 14, 11:30
Unemployment
Rate (Mar)

May 14, 11:30
Average Earnings
Index +Bonus
(Mar)

May 14, 11:30
Claimant Count
Change (Apr)

May 14, 12:30
Labor Productivity

The GBPUSD pair experienced a dynamic week marked by fluctuations driven by economic data releases, central bank announcements, and market sentiment. The pair started the week on a positive note, rising for the 4th consecutive day, touching the 1.2550 level. This appreciation was fueled by increase in expectations of Fed interest rate cuts following lower-than-expected US jobs data. The Pair fell sharply and traded below 1.2500 levels. However, BoE Governor Andrew Bailey's expressed hope for headline inflation to return to the desired 2% rate provided some support. GBPUSD rose notably after the release of more-than-expected UK manufacturing data. On Thursday, the pair rebounded after touching the low of 1.2467 followed by the central bank's decision to keep rate unchanged. The pair ended the week with a slight drop to around 1.2521, after touching the high of 1.2541 probably due to the positive UK GDP data. The future outlook of pair seems to be bearish due to the ongoing Middle East tensions, ECB'S rate cut decision.



The sterling reversed its two-week uptrend, declining 0.14% this week. Initially, it opened positively at 1.2539, hitting a high of 1.2594 the same day. The pair encountered resistance at the significant 1.2600 levels, and gave away its gains afterwards and fell rapidly. The pair fell as low as 1.2445, marking a 2-week low. It recovered slightly towards the end, finding some support at 1.2550 levels, and ended the week at 1.2521, above the previous week's low, which is a slight positive sign. Also the MACD Line is seen moving upwards towards the positive zone, suggesting bleak chances of recovery in the pair. The pair near-term resistance can be seen at 1.2550 levels at the 100-week EMA. If the pair manages to break above this level, the next resistance can be seen at the 1.2600 levels, preventing the upside. The formation of the next week's candle will provide more cues on the future trajectory of the pair

Events to WATCH

May 16, 05:20
GDP (QoQ) (Q1)

May 16, 05:20
GDP (YoY) (Q1)

May 16, 10:00
Industrial
Production (MoM)

May 17, 10:00
Industrial
Production (MoM)

The Bank of Japan recently intervened in the currency market to try stop a surge of buying in the USDJPY pair. At this point, it appears that the attempt will fail. The dollar held steady on Friday after losing ground overnight on the back of U.S. data indicating fresh signs of a slowing labor market, while the yen fell as investors backed off after alleged intervention last week. Against the yen the dollar was trading at 155.73 up by 0.17% but failing to recapture Thursday's high of 155.95. The dollar index, which measures the greenback against its main peers, was unchanged at 105.26 after dropping 0.3% on Thursday. The yen fell by almost 1.7% against the dollar this week, as traders tested Japanese officials' determination to maintain the currency. Market participants estimate that Tokyo spent \$60 billion last week to drive the yen back to its lowest level since 1990, near 160. Japan's Finance Minister Shunichi Suzuki reiterated the government's intention to intervene if necessary during a normal post-cabinet meeting news conference on Friday.



USDJPY began the week at 152.92, steadily climbing and reversing its losses from the previous week. Despite hitting a three-week low at 151.85 last week, the pair faces renewed pressure due to increasing US yields and a robust dollar. The yen struggled against widening interest rate gaps over the past week. Technically, the pair showed a tendency for "buying the dips," rising by over 5% last week, attracting trader interest. A breach below the support at 152 (S1) could trigger further declines towards 150 (S2), a historically strong support level. Conversely, if US CPI remains high next week, the pair may rally above 155 (R1 & current levels) and possibly reach 157 (R2). Technical analysis suggests a neutral stance, highlighted by bearish candles on the daily chart last week, followed by a partial retracement of gains. Potential interventions from the BoJ, especially if the pair surpasses 158, might cap upside potential, favoring the yen.



Does Speculative Currency Attack Lead to Financial Crisis?

Speculative currency attacks, often referred to as "currency crises," wield the power to send shockwaves through international markets. These attacks occur when traders and investors strategically engage in a rapid sell-off of a nation's currency, causing its value to plummet. In this comprehensive article, we will delve deep into the intricacies of speculative currency attacks, drawing from historical examples, and exploring their potential ramifications. Furthermore, we will provide invaluable insights and strategies that nations can employ to safeguard their economies against these perilous financial storms.

Demystifying Speculative Currency Attacks

A speculative currency attack is a calculated and coordinated effort to weaken a nation's currency deliberately. This maneuver typically involves a massive sell-off of the targeted currency, exerting significant downward pressure on its value. If the nation's central bank lacks sufficient foreign currency reserves to counter this onslaught, the attack can result in the collapse of the currency's peg.

A Glimpse into History: George Soros and the British Pound Crisis

One of the most renowned speculative attacks in history was orchestrated by George Soros in 1992, targeting the British pound. Soros, a legendary investor, initiated a sell-off of at least \$1.5 billion worth of the U.K. currency.

This monumental move led to the infamous "Black Wednesday," during which the British government was compelled to withdraw from the Exchange Rate Mechanism, ultimately resulting in a devaluation of the pound.

The Road to Success: Factors Behind Speculative Attacks

In Soros' case, the Bank of England's attempts to bolster the pound failed, despite purchasing £1 billion of its own currency within two hours of the market opening on Black Wednesday. Even raising interest rates to enhance the pound's attractiveness proved ineffective. Conversely, when a massive attack was launched against the Hong Kong dollar in 1997, a combination of China's ability to provide significant currency reserves and sky-high interest rates allowed the central bank to successfully defend itself.

How Speculators Profit From Currency Attacks

Speculators can profit from attacks in two main ways: by taking out a loan in the targeted nation and converting it into a foreign currency at a fixed exchange rate or by shorting the stocks of the targeted nation before its currency experiences a sudden depreciation.

Taking out a Loan and Currency Exchange:

- Investors borrow a significant amount of money from the targeted nation's central bank, often at a favorable interest rate.
- They then convert this borrowed money into a foreign currency at the prevailing fixed exchange rate.
- The massive outflow of the nation's currency depletes its foreign exchange reserves or forces it to abandon the fixed exchange rate.

• When the targeted nation's currency depreciates significantly (due to either depletion of reserves or policy changes), investors can convert their foreign currency back into the weakened domestic currency at a much more favorable rate.

• This allows them to repay the loan they initially took out in domestic currency, while still making a substantial profit due to the favorable exchange rate.

Impact of a Speculative Currency Attack

Currency Devaluation: The most immediate consequence of a speculative attack is the significant drop in the targeted currency's value, eroding its purchasing power.

Inflation: Currency devaluation often leads to imported inflation, causing goods and services to become more expensive for citizens.

- **Capital Flight:** In response to a currency crisis, investors and businesses may move their assets out of the country to protect their value. This exacerbates the crisis further.
- **Economic Recession:** A speculative currency attack can trigger a severe economic recession. Businesses struggle with high borrowing costs, and reduced consumer spending amplifies the downturn.
- **Austerity Measures:** To stabilize their economy and attract foreign investment, countries often resort to austerity measures, such as cutting government spending and increasing taxes.

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 row includes a green up arrow, a timestamp '29 12:55:39 | Event', and high/low values. The bottom navigation bar includes 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

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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.