



# Forex Market **Insights** Newsletter

Volume 81 → Sept 2nd to Sept 8th 2023



# Exclusively for SEPC members : Complimentary

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**\*TILL MARCH 2024**



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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%)

Bottom navigation bar: Home, My Plans, **MFE** (Services), Research, Rate Alert

# Welcome



Dear Members,

Encouraging developments in the battle against inflation propelled major market indices to close the week on a high note. The S&P 500 Index surged, marking its most substantial one-day gain since June, spurred by the unexpected decline in job openings for July, reaching their lowest point since March 2001.

In the Eurozone, the annual inflation rate is projected to remain stable at 5.3% in August, similar to that of July month. Minutes from the ECB's July meeting noted the robust labor market within the Euro area, hinting at the possibility of a gentle economic slowdown.

Japan's stock markets also witnessed gains during the week. The yield on the 10-year Japanese government bond dipped from 0.65% to 0.62% compared to the previous week. Concurrently, the yen strengthened, with its exchange rate against the U.S. dollar improving from JPY 146.4 to approximately JPY 145.4. Persistent concerns about the yen's prolonged weakness sparked speculations about potential interventions by Japan's monetary authorities in the foreign exchange markets to stabilize the currency. China's stock market experienced an upturn following the government's rollout of a series of stimulus measures aimed at reinvigorating the economy. These promising signs collectively contributed to a positive outlook for the global financial landscape.

Thank You

Yours' Sincerely,  
CA. Sunil H. Talati  
Chairman

## Key Takeaway Summaries

### ₹ INR

After recovering by more than half a percent the previous week, it stabilized and mostly traded in a range of 15paise from 82.60 to 82.75.

### € EUR

EURUSD pair showed signs of recovery after a 6 week decline but remained near its 2-month low, closing the week at approx. 1.0774

### £ GBP

The cable pair made a strong recovery from two-month lows led to the return of the Pound Sterling bulls versus the US dollar (USD).

### ¥ JPY

The USDJPY had been riding a strong upward trend on the H4 chart, reaching a 10-month peak at 147.376.

## CONTENTS

INR 2

USD 3

EUR 4

GBP 5

JPY 6

BLOG 7



## Events to WATCH

Sept 08, 17:00  
Deposit Growth

Sept 08, 17:00  
Bank Loan Growth

After recovering by more than half a percent the previous week, it stabilized and mostly traded in a range of 15paise from 82.60 to 82.75. The only concern for the US was its labour market which remained strong throughout the journey of fighting inflation. But this week we saw few of the important employment data from US i.e. ADP non-farm payrolls, JOLTs Job Openings & NFP which showed that even the labour market has started cooling off and it clearly indicates towards reducing need for further rate hike. A new gimmick has been introduced in the market by the Fed officials i.e. “Higher for Longer” which simply means that there is no need for further rate hikes and the inflation will ultimately cool-off with the prevailing interest rate kept steady for longer time.



According to the Fed Rate Monitor also we can see a 94% chance of a pause in the upcoming Fed meeting compared to the 45% chance previous week. It even shows a 67% probability for a pause in the November meeting also but that's too early for making a decision. Chances for a pause in the interest rate cycle can be clearly witnessed through the fall in US bond yields, the 2y bond yields have dropped from 5.10% to 4.87% whereas the 10y bond yields have also dropped from 4.26% to 4.17%. Less events for the upcoming week to focus on, ISM Non-Manufacturing PMI (Aug) & Services PMI (Aug).



# \$ USD

REPO RATE

5.5%

GDP

2.1%

INFLATION

3.2%

UNEMPLOYMENT

3.8%

TRADE BALANCE

-\$65.5B

## Events to WATCH

Sept 06, 19:15  
Services PMI (Aug)

Sept 06, 19:15  
S&P Global  
Composite PMI  
(Aug)

Sept 06, 19:30  
ISM Non-  
Manufacturing PMI  
(Aug)

Sept 07, 18:00  
Nonfarm  
Productivity (QoQ)  
(Q2)

Sept 07, 18:00  
Unit Labor Costs  
(QoQ) (Q2)



This month didn't move in favour of our beloved Rupee lost its significant value during the month and fall below 83 near to all time low levels of 83.29 amid economic slowdown in the china, timely intervention by RBI and FPI inflows helped the Rupee to close near to 82.80 levels.

This was one of the most volatile month for the USDINR as Rupee fell sharply during the month many times and gained too sometimes which is not a normal for our beloved Rupee to move at such higher pace again this month proved the Importance of gaps filling in the USDINR we all have seen as most of the gaps have been filled and this thing was quite frequent in this month but one big gap is yet to be filled formed on July 27th to 28th (82.03 to 82.19). Hence market participants can look to target filling that gap too in the upcoming sessions but before that bears needs to comfortably break 82.32-35 levels where 144 days moving average is located. On the daily time frame momentum indicators RSI and Stochastics trading in a neutral region, MACD also giving mixed signals.

USDINR remained above 83 levels for a quite good time and we recommended the Exporters to keep increase their hedge ration at these levels we hope they are adequately hedged if not now they can target 82.75-80 region to hedge their exposure while Importers got less chances during this month, we recommend them to start hedge around 82.35-40 for the near term exposure afterwards 82.20 for the longer period hedge, if mandatory to hedge now they can chose vanilla option.



## Events to WATCH

Sept 05, 13:30  
Services PMI  
(Aug)

Sept 05, 13:30  
S&P Global  
Composite PMI  
(Aug)

Sept 06, 14:30  
Retail Sales  
(MoM) (Jul)

Sept 07, 14:30  
GDP (QoQ) (Q2)

The EURUSD pair showed signs of recovery after a six-week decline but remained near its 2-month low, closing the week at approximately 1.0774. Tensions ran high early in the week as market participants awaited crucial macroeconomic data and monitored developments in China. Inflation and employment data took the spotlight, with unfavorable news for the Euro Zone. Germany reported a higher-than-expected August Harmonized Index of Consumer Prices (HICP), growing by 6.4% (YoY) and 0.4% (MoM), adding pressure on the European Central Bank (ECB) as it sought to pause monetary tightening amid an economic slowdown. ECB's hawkish member Isabel Schnabel noted weaker Euro Zone growth but stressed it doesn't rule out the need for rate hikes. Looking ahead, the upcoming week brings significant reports. The US will release the August ISM Services PMI, and the EU will unveil July Retail Sales on Wednesday. Thursday will see the Euro Zone's final estimate of Q2 GDP, and on Friday, Germany will release the final estimate of August HICP. Other key events to look out include S&P Global Composite PMI (Aug), German Services PMI (Aug), and Services PMI (Aug).



Throughout the week, the Euro experienced a two-way movement. It initially recovered to reach a high of 1.0945 but closed the week at the lower level of 1.0773. As per the daily chart frame of the pair, it can be seen that the pair broke below the 1.08 levels easily twice in the past two weeks, that was acting as a short term support. Dollar strength, influenced by NFP (Non-Farm Payrolls) data indicating a tight labor market, has put pressure on the Euro. On the daily frame chart, the R1 might be placed at 1.0857 if the pair is able to advance through the barrier. The Relative Strength Index (RSI) has shown a bearish signal as the signal line (yellow) crossed below the RSI 47 (purple) line from below. We might see the S1 at the current levels of 1.0737 supporting the RSI movement. The Moving Average Convergence Divergence (MACD) indicator also supports a bearish sentiment, as the MACD line (blue) crossed below the red line from above, indicating a slight sell signal. If we see continuing dollar strength it might cause Euro to fall below 1.07 levels and the S2 can be at 1.0650 as seen in the charts.



## Events to WATCH

Sept 05, 14:00  
Services PMI (Aug)

Sept 05, 14:00  
Composite PMI (Aug)

Sept 06, 14:00  
Construction PMI (Aug)

Sept 07, 11:30  
Halifax House Price Index (MoM) (Aug)

The cable pair made a strong recovery from two-month lows led to the return of the Pound Sterling bulls versus the US dollar (USD). The US Dollar started the week holding near 12-week highs it had attained on Friday after taking advantage of US Federal Reserve Chairman Jerome Powell's hawkish comments at the Jackson Hole Symposium. But starting on Tuesday, the market trend began to reverse in favor of the British pound as the US dollar fell into new dovish Federal Reserve interest rate projections following a string of dismal US economic data releases. We saw a few important labour market data from the US which signaled cool down in the employment sector as well which stood strong throughout the journey of fighting inflation. US bond yield have also come down at 4.87% (2year) & 4.17(10year), respectively. The soft data from the labour market helped set the tone because it showed that the Federal Reserve was unlikely to raise the interest rates in September and possibly not in November either. It's a quiet start to the week because the United States markets are closed on Monday in honor of Labour Day and also because there are no economic data from the United Kingdom. Key events for the upcoming week are UK's Composite PMI (Aug), Construction PMI (Aug), ISM Non-Manufacturing PMI (Aug) & Services PMI (Aug).



The British Pound had a decent start to the week but lost its strength by the week's end, resulting in the exchange rate being nearly the same as the previous week's close. It seems that sellers are gaining control, and they might bring the exchange rate down to the key level of 1.2500 soon, followed by the 1.2400 region, which we last saw in early June this year. On the flip side, for the exchange rate to start rising, it needs to comfortably surpass the 1.2650 level, which has now become a resistance point. If it manages that, then buyers can aim for the 1.2775-80 region, where the 50-day moving average is positioned. Looking at the daily chart, the momentum indicator MACD is showing mixed signals, while RSI and stochastics are heading towards the oversold zone.

# ¥ JPY

REPO RATE

-0.10%

GDP

1.5%

INFLATION

3.3%

UNEMPLOYMENT

2.5%

TRADE BALANCE

-¥ 78.73B

## Events to WATCH

Sept 05, 5:00  
Household Spending (MoM) (Jul)

Sept 05, 6:00  
Services PMI (Aug)

Sept 05, 9:05  
10-Year JGB Auction

Sept 08, 5:20  
GDP (QoQ) (Q2)



The USDJPY had been riding a strong upward trend on the H4 chart, but a pivotal moment occurred on Friday when the USD/JPY, reaching a 10-month peak at 147.376, suddenly shifted towards a bearish sentiment, breaking its two-week uptrend line and signaling a potential market direction change. The dollar index surged to a 2-month high at 104.50, driven by robust US economic data and hints of more rate hikes in FOMC meeting minutes, weakening the Yen to 145, a level that prompted BOJ intervention in November 2022, with a revised threshold now set at 150. The US, previously reliant on a strong labor market to combat inflation, faces signs of labor market cooling in recent data, suggesting a reduced need for further rate hikes. A new approach coined by Fed officials, "Higher for Longer," implies no immediate rate hike urgency, anticipating that inflation will gradually ease with prevailing interest rates maintained for an extended period. Some key events to follow in upcoming month include Japan GDP, German CPI, Average Earning Index, USA CPI, and China Industrial Production.

The Japanese Yen (JPY) continued to weaken during the week, reaching a weekly and 9-month high of 147.37. This move broke through the 146 level, which had previously acted as resistance in June. Throughout the week, the pair traded within a range of 144.43 to 147.37. On the daily chart frame, In June, the 146 level acted as a resistance level, but it has now been broken but now from the recent comments it looks BOJ will now intervene at 150 making an easy view for the pair to trade on the upside. The strength of the US Dollar (USD), influenced by the NFP data indicating a tight labor market, reversed the gains made by the Yen in the last trading session. According to the MACD indicator, a buy signal is indicated by the MACD (blue) line is close to the signal line. Currently, it's showing a value of 0 on the scale, which supports a bullish view. The RSI 14 (purple line) is below the yellow signal line indicating a buy signal supporting the MACD. S1 is placed at 144.50, suggesting a potential level where traders may consider buying if there is a correction in the pair.







## Managing Foreign Exchange Risk Through Outrights

### What are outright?

Outrights, in FX markets refer to the type of transactions where two parties agree to buy or sell a given amount of currency at a predetermined rate, on a specified date in future. In simple terms, companies that buy goods and services overseas in different currencies can use this tool to lock in favorable exchange rates.

There are two types of outright- Forward FX Outrights and Futures FX Outrights. A forward outright is a private agreement that can be customized. It settles at the end of the agreement and is traded over the counter (OTC). A futures outright has standardized terms and is traded on an exchange, where prices are settled on a daily basis (mark-to-market) until the end of the contract. Here, our main focus will be Forward Outrights because in the FX market, it is easier to trade forwards as they are customized contracts.

For outright positions, both the potential gain and the potential risk are greater than the positions that are covered or hedged using some other strategy. We can say that, an outright position is one which stands on its own, and is not part of a larger or more complex trade.

### Forward Outright Transaction: How does it work?

**Initiation:** A forward outright transaction can be performed within the scope of a financial markets client agreement. The inputs of the contract- the currency pair, exchange rate and the value date of making real entries- are agreed on the day the transaction is made.

**Pricing:** The forward rate, which is the price of a forward outright, is calculated by adding to or deducting from the spot rate the “forward points” arising from the difference in interest rates between the respective currencies. Thus, the forward points reflect interest rate differentials between two currencies. Effectively, the lower yielding currency will trade at a premium going forward and vice versa.

**Settlement:** An outright forward is an obligation to take delivery of the purchased currency and make delivery of the currency that was sold. Instructions must be provided by the counterparties as to the specific accounts where the delivery of currencies is to be taken. The delivery is made two working days ahead of the maturity date.

An outright forward can be closed out by entering into a new contract with an opposite position which can result in either a gain or loss versus the original position, depending on market movements.

If the new contract is entered into with the same counterparty as the original contract, the currency amounts are usually netted under an International Swap Dealers Association agreement. This reduces the settlement risk and the amount of money that needs to change hands.

### Advantages of using Outrights:

Outrights have proved to be an effective way to manage currency risk when one is exposed to foreign exchange rates. It hedges by fixing an exchange rate for future delivery date which stabilizes the uncertain position of the trader.

Also, there are no upfront costs for hedging using outright. The cost of an outright is the difference between spot rate on maturity and the outright rate (forward rate) i.e. the premium. No money changes hands between the two parties at the initiation of the contract.





# 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.



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🕒 29 12:55:39		
H- 70.3636	L- 70.2636	+0.0675 (0.09%)

## 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.



Gaurav/Prabjeet  
8860663372 / 8860646603  
advisory@myforexeye.com



Dr. Abhay Sinha  
9310423517  
abhay.sinha@servicesepec.org