



# Forex Market **Insights**

## Newsletter

Volume 71 → June 26<sup>th</sup> to June 30<sup>th</sup> 2023

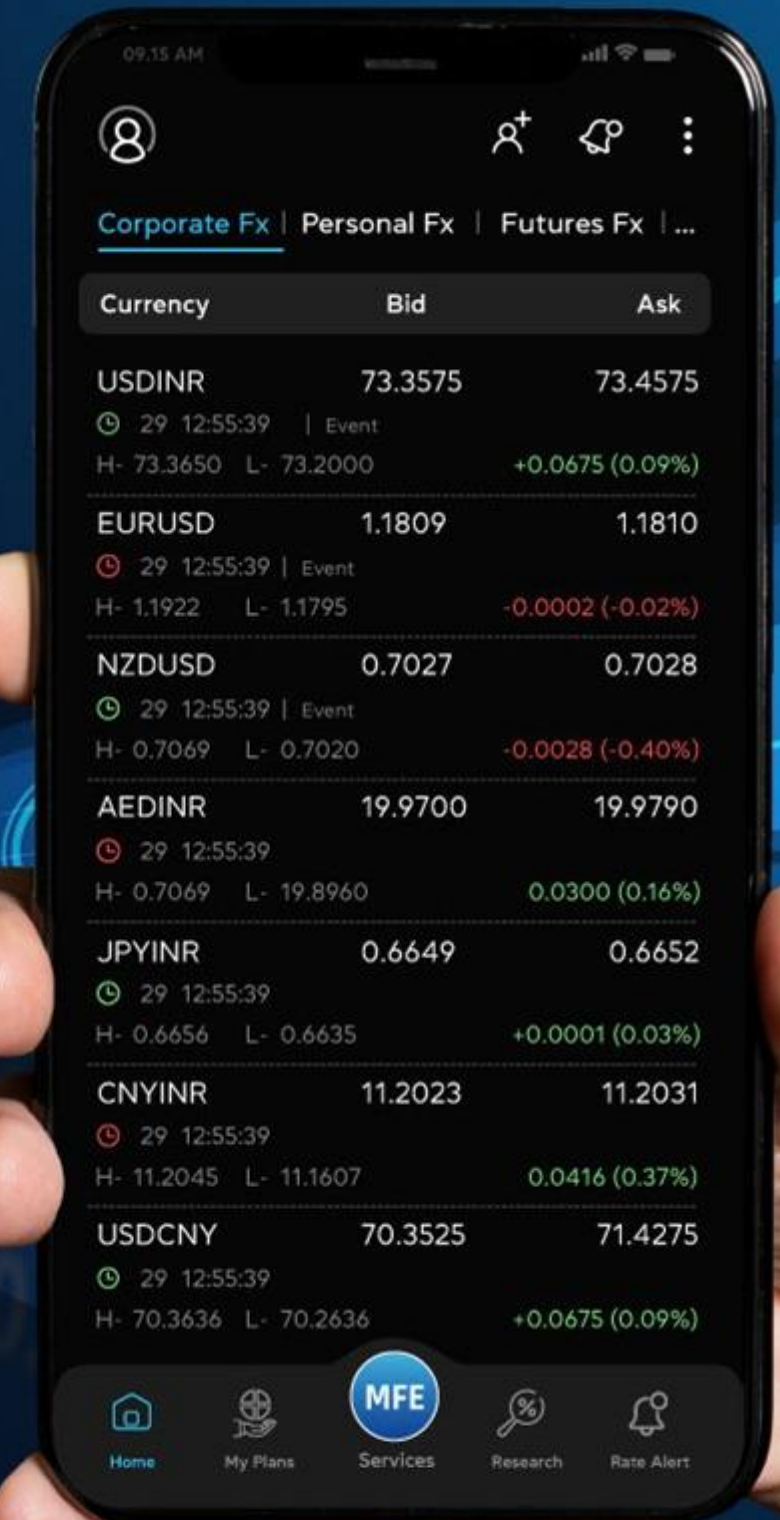
# Exclusively for SEPC members : Complimentary

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**\*TILL MARCH 2024**



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# Welcome



Dear Members,

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In a week with fewer trading days due to the holiday on Monday, the major benchmarks ended lower. During his testimony before Congress, Fed Chair Jerome Powell indicated that the majority of policymakers anticipate a need for further interest rate hikes by year-end. The recent FOMC dot plot suggests the possibility of two interest rate hikes, but market sentiment remains skeptical. Powell described a strong economy and tight labor market with high inflation, signaling potential monetary tightening, albeit at a moderate pace.

Concerns that more interest rate increases could lead to a recession in Britain and the Eurozone caused the pan-European STOXX Europe 600 Index to decline. The depressing outlook was worsened by China's underwhelming economic recovery as well as hawkish remarks made by Jerome Powell, chair of the US Federal Reserve. The Bank of England unexpectedly increased its benchmark interest rate by half a percentage point to 5.0%, the highest level since 2008.

Japan's Nikkei 225 Index retreated from 33-year highs while the yen weakened against the US dollar. In May, Japan's core CPI rose 3.2% YoY, surpassing expectations and staying above the 2.0% inflation target. Chinese banks cut prime rates on one- and five-year loans by 10 basis points following the People's Bank of China's rate reduction, the first decrease since August 2022.

Thank You

Yours' Sincerely,  
CA. Sunil H. Talati  
Chairman

## Key Takeaway Summaries

### ₹ INR

India's FX Reserves increased by 3 billion dollars to 596.10 Billion dollars in the previous week.

### € EUR

EURUSD reached its peak at 1.1011 on Thursday but declined after indications that the Fed would continue with a hawkish stance.

### £ GBP

Bank Of England surprised everyone, by increasing the interest rates by 50 bps, while the expectation was 25 bps.

### ¥ JPY

The BoJ is at odds with other significant central banks since they have been actively tightening interest rates to combat inflation.

**SEPC**  
SERVICES EXPORT PROMOTION COUNCIL  
Under the Ministry of Commerce and Industry, Government of India



## Events to WATCH

Jun 30, 17:00  
FX Reserves,  
USD

The Rupee started the week flat at 81.94 compared to the previous close. We saw 2 range bounds movements in USDINR. For Monday and Thursday, it traded in a range of 81.88-81.98 whereas for the rest trading sessions it traded between 82.03-82.19. US markets were shut on Monday; therefore, it was a holiday shortened week with no events to look upon except Fed Chair Jerome Powell Speech on Wednesday. It was the only event which captured the limelight as market participants were eager to know the Fed interest rate outlook. Previously, after the FOMC meeting Powell had already signaled towards the increasing the rates by 50bps in the upcoming meetings and rate cuts seems out of the picture for 2023.



After hearing the previous speech market participants were expecting some more hawkish comments by Powell but it didn't come out as hawkish as expected after which the Dollar index fell almost to a 2-week low of 101.98. India's FX Reserves increased by 3 billion dollars to 596.10 Billion dollars in the previous week. Future projections of US interest rates going higher leaves less probability for Rupee to appreciate. Thus, short term future trend in the USDINR pair can either be the spot being stable or climbing up as it doesn't seem much of a downside from here. Key events to watch in the upcoming week are CB Consumer Confidence (Jun), New Home Sales (May), Building Permits, GDP (QoQ) (Q1) & Core PCE Price Index (MoM) (May).



# \$ USD

REPO RATE

5.25%

GDP

1.3%

INFLATION

4.0%

UNEMPLOYMENT

3.7%

TRADE BALANCE

\$-74.55B

## Events to WATCH

Jun 27, 17:30

Building Permits

Jun 27 18:00

Core Durable Goods  
Orders (MoM)  
(May)

Jun 27, 19:30

New Home Sales  
(May)

Jun 27, 19:30

CB Consumer  
Confidence (Jun)

Jun 29, 18:00

GDP (QoQ) (Q1)

Jun 29, 19:30

Pending Home  
Sales (MoM) (May)

Jun 29, 18:00

Core PCE Price  
Index (MoM) (May)



The Indian Rupee has gone into a complete slumber. Despite weakness in Chinese Yuan and two-way volatility in Euro and British Pound, our beloved Rupee remains primarily unmoved. Rupee's amplitude (high low range) for this week was a meagre 29 paise; during a period when Yuan has weakened by 1% and South Korean Won by 2.5%.

Let's evaluate the USDINR daily candlestick chart for some insights into the future. Abrupt price action has created a few small price gaps, the latest unfilled one from Thursday's high of 81.96 to Friday's low of 82.01. Gaps in USDINR usually fills up. USDINR is holding just above 81.80 – 81.90, a support area highlighted by the upward moving trendline (green colour) connecting the previous dollar lows of Nov22 and Jan23. Medium term USDINR support region remains at 81.60 – 81.70 (highlighted by the blue horizontal line). Among the momentum indicators, MACD offers a mild buy signal, RSI is holding just above the overbought area and Slow Stochastic gives a buy indication.

My sense is for limited gains for the Rupee. Technically, 81.60-70 is a big support region. Dollar importers should increase hedge ratios at spot around 81.90. Strong recommendation to use vanilla options. USDINR options volatility is extremely low and hence option premiums are going to be quite cheap. Forwards should also be used considering that forward premiums are close to multi-year lows. Dollar exporters can hold for a while and target spot levels around 82.25-35 to restart hedging. If mandated to hedge at current levels, use vanilla options instead of forwards.

## Events to WATCH

Jun 26, 13:30  
German Ifo  
Business  
Climate Index  
(Jun)

Jun 29, 17:30  
German CPI  
(MoM) (Jun)

Jun 30, 13:25  
German  
Unemployment  
Change (Jun)

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

The EURUSD pair reversed its gains to end the week in the 1.0880 price zone. It traded for a brief time above the 1.100 range but was quickly brought down by the gloomy market sentiments and poor macroeconomic data that affected investor worries. The testimony of US Fed Chairman Jerome Powell pressured the US dollar mid-week, as he hinted at future rate hikes. At least two rate hikes in the near term were implied by the latest FOMC dot plot. He described the economy as strong and the labor market as tight. Powell noted policymakers' concerns about high inflation, suggesting further monetary tightening, but emphasized a moderate approach. EURUSD reached its peak at 1.1011 on Thursday but declined after indications that the Fed would continue with a hawkish stance, coinciding with Powell's second day of testimony. Some key events to follow in the upcoming week include the German Current Assessment, German CPI (MoM), and German CPI (YoY).



The EURUSD pair made some gains in the first four trading sessions with recovering by almost 200 pips if compared to the previous week. Throughout the trading week, the euro has rallied pretty sharply, but last trading day tumbled to fall back to close at 1.0892. After all, there are fears about global inflation while the European Union appears to be entering some sort of recession. The 200 SMA, which is currently pointing in no particular direction at about 1.0906, is emerging as a possible bullish objective for the coming weeks. Also, a strong resistance is there for the pair at 1.1070 making the first target to meet if the pair continues to be in a bullish trend. If the pair begins to use that level as resistance, it may decline as low as 1.0820/30, and 1.0780. On the upside, 1.0940 (lower-limit of the ascending channel, 20-period SMA) and 1.0900 (psychological level) line up as temporary resistance levels. Relative Strength Index oscillators at 41 indicate a bearish signal, MACD is also displaying a selling signal also favoring a further downside back again to 1.08.



## Events to WATCH

Jun 30, 11:30  
GDP (QoQ)  
(Q1)

Jun 30, 11:30  
GDP (YoY) (Q1)

Sterling had a negative start this week as it opened at the 1.2817 level. The pair was in a continuous downtrend this week. The UK inflation report released on Wednesday indicated that core inflation increased by 7.1% annually, the highest rate since 1992, up from 6.8% in April. The U.K. CPI came higher at 8.7% against the forecast of 8.4%. The inflation in the U.K. economy has been persistently higher and sticky. Bank Of England surprised everyone, by increasing the interest rates by 50 bps, while the expectation was 25 bps. Despite a larger-than-anticipated rate increase by the BoE, GBP/USD reversed course from a 14-month high of 1.2848 and stopped a three-week winning streak, and made a weekly low of 1.2685. As markets focus on the possible negative effects of rate hikes on the UK economy and after Fed Chair Powell signaled that additional rate hikes are expected, the difficulties for the pound got worse. A pessimistic market mentality added to this. The manufacturing PMI in the U.K. decreased from 47.1 to 46.2 and the PMI for services decreased from 55.2 to 53.7. The results were the slowest in three months, which indicates a decline in economic activity in June.



We observed a loss of momentum in GBP/USD during the past week, with a decline of approximately 100 pips. Surprisingly, this occurred despite the Bank of England's hawkish stance of raising interest rates by 50 basis points. Currently, it appears that momentum has shifted in favor of the bears. Their initial target may be the 1.2520-1.2525 region, where the 50-day SMA (Simple Moving Average) is situated. Subsequently, the pair could find support at 1.2350, which is a significant level where buyers may re-enter the market. On the upside, the bulls could potentially drive the pair towards the recent high of 1.2850, which was reached on June 16th, 2023. When looking at the daily time frame, the momentum indicator MACD is providing mixed signals, while the RSI (Relative Strength Index) and stochastics are trading in an overbought zone, suggesting the potential for a pullback.

# ¥ JPY

REPO RATE

-0.10%

GDP

0.7%

INFLATION

3.2%

UNEMPLOYMENT

2.6%

TRADE BALANCE

-¥-1372B

## Events to WATCH

Jun 29, 05:20  
Retail Sales (YoY)  
(May)

Jun 30, 05:00  
Tokyo Core CPI  
(YoY) (Jun)

Jun 30, 05:20  
Industrial  
Production  
(MoM) (May)



USDJPY continued its uptrend for the second week in a row. The pair started the week by opening at 141.88 level. The pair fell because of the continuing loose monetary policy stance by the Bank of Japan. BoJ's Governor Kazuo Ueda, on Wednesday, said that BoJ will maintain the easy monetary policy and will sustainably achieve its 2% inflation target accompanied by wage growth. Jerome Powell, the president of the Fed, in his testimony to Congress on Wednesday and Thursday, stated that interest rates hikes are needed to control U.S. inflation and he does not anticipate rate cuts any time soon. The benchmark 10-year yield gained by 7 basis points to 3.79%. The rate on 2-year bonds increased to 4.79% from 4.68%. The BoJ is at odds with other significant central banks since they have been actively tightening interest rates to combat inflation. As the Fed indicated that future rate hikes will be there while the BoJ maintains its current course, the US/Japan rate divergence has been expanding. The yen has fallen significantly as a result and made a new low of 143.87 against the dollar, a level last seen in November 2022.

The USDJPY opened at 141.85 and started rising but it takes resistance in the first half of the week at 142. Following the positive economic data from the US economy, the USDJPY rose to its highest level since November 2022, touching 143.87. USD/JPY pair is battling to stay stable above the significant barrier of 143.00. The asset earlier reached a new eight-month high of 143.45 thanks to the strong US Dollar Index (DXY). However, additional upside appears dim because investors are anticipating a covert intervention by the Bank of Japan (BoJ) to support the collapsing Japanese Yen. The Federal Reserve signaled that it will continue to remain tight and two more rate hikes are now on the table, which helped the US dollar gain ground. In the interim, any sizeable decline may continue to encounter strong resistance in the vicinity of the 141 level. On its journey to the 138 to 143, the USDJPY pair may likely continue to rise to stop at a resistance, which is roughly in the 144.50-145 region. The relative Strength Index shows buying signal currently at the 62 level and the momentum indicator MACD comes close showing a buying signal.







# BLOG

## AI In FX, The Role Of Artificial Intelligence In Forex Trading

Artificial Intelligence (AI) is continuously pushing the boundaries of discovery on a daily basis. As the world rapidly evolves, it adapts to this transformative technology, leading to significant changes across various sectors. One such area greatly influenced by AI is the foreign exchange (forex) market. Being the largest and most liquid market in the world, forex operates on a foundation of data, strategies, and swirled emotions. However, like any technology, AI also comes with its own set of advantages and disadvantages.

### Here are some advantages of AI in forex:

**Enhanced Data Analysis:** AI algorithms have the capacity to sift through enormous volumes of data and find patterns that human traders would miss. AI algorithms can produce trading signals and spot potential trades by examining historical data, market movements, news events, and several other aspects. With this skill, AI systems can foresee events more accurately and make informed trading judgments.

**Automated Trading:** Automated trading systems, often known as expert advisors or trading robots, are one of the main uses of AI in the forex market. Based on predetermined trading strategies, these systems automatically execute transactions using AI algorithms.

Automated trading systems can regularly execute deals with speed and accuracy because they remove human emotions and biases

**High Frequency Trading:** In high-frequency trading (HFT), where deals are made in a matter of milliseconds to profit from minute price differences, AI-based trading systems flourish. In comparison to human traders, AI systems can analyze enormous volumes of market data and execute transactions at breakneck speeds. AI-powered HFT systems can take advantage of ephemeral market opportunities that human traders might otherwise miss thanks to their speed and accuracy.

Some disadvantages of AI in forex are:

**Overreliance on Historical Data:** AI algorithms depend on past data for training and analysis. Even though this data can help provide market insights, it cannot be fully relied on for future market conditions. The precision and efficiency of AI systems can be put to the test by unforeseen circumstances or abrupt changes in market dynamics. Therefore, human supervision is crucial for ensuring that AI-based trading systems are operating at their peak efficiency and are capable of adjusting to changing market conditions.

**Black Box Nature:** This refers to providing outputs without any explanation or reasoning. In forex trading, this lack of transparency might be problematic because traders could not completely comprehend the reasoning behind signals or judgments made by AI.

The ability to evaluate and understand AI's results must be balanced with the predictive potential of the technology.

**Sensitivity to Data Accuracy:** The accuracy of the data produced by AI, highly depends on the quality and integrity of the information it has access to. The AI algorithms may produce inaccurate results if the supplied data has biases, errors, or inadequate information. It is essential to guarantee that the data utilized for training and analysis is of the highest caliber and provides a thorough and objective view of the market.

In conclusion, artificial intelligence has proved to be revolutionary in the field of the forex market. It has given traders access to effective tools for data analysis, automation, risk management, and decision-making. However, it is crucial to be aware of the constraints and dangers of relying only on AI systems. In order to achieve the greatest outcomes in forex trading, a balanced strategy that integrates the benefits of AI with human skill and judgment is likely to be most effective.





# 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' section of the app. It features a table with columns for 'Currency', 'Bid', and 'Ask'. The table lists several currency pairs including USDINR, EURUSD, NZDUSD, AEDINR, JPYINR, CNYINR, and USDCNY. Each entry includes a timestamp (29 12:55:39), an event indicator, and high/low values. The bottom navigation bar contains icons for Home, My Plans, Services (MFE), 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.



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