



# Forex Market **Insights**

## Newsletter

Volume 67 → May 27<sup>th</sup> to June 2<sup>nd</sup> 2023

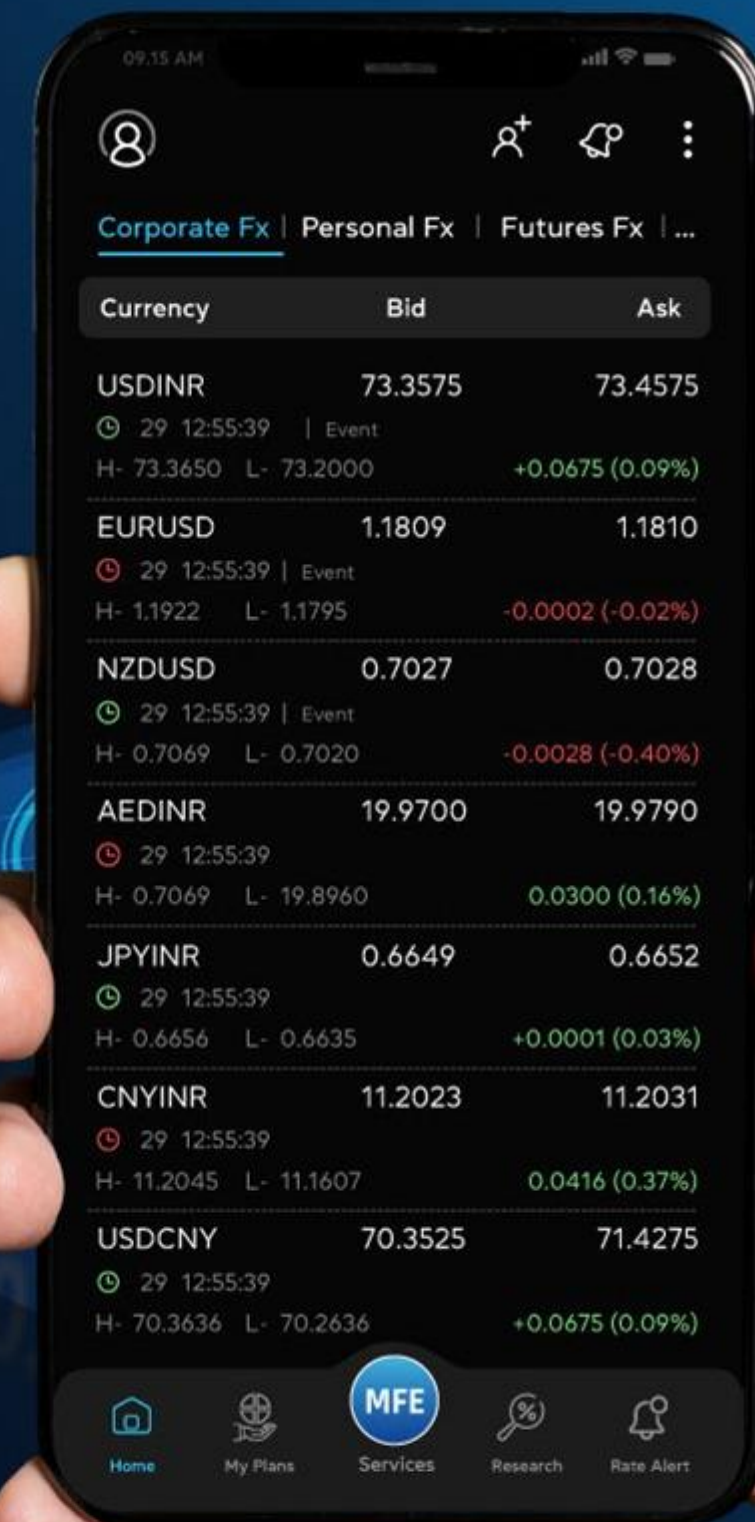
# Exclusively for SEPC members : Complimentary

## Myforexeye application access

**\*TILL MARCH 2024**



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Myforexeye APP



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%)

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



# Welcome



Dear Members,

Investors kept a close eye out for any indications of progress in the talks to raise the US debt ceiling as the major benchmarks ended mixed. Debt ceiling talks resumed this week, but minimal progress led to market declines. However, signs of renewed momentum on Friday sparked a market rally. The dollar achieved its third consecutive weekly gain by Friday, as market participants increased their expectations of prolonged higher interest rates.

European shares declined due to indications of a deteriorating economic outlook and ongoing uncertainty surrounding US debt ceiling discussions. Moreover, European government bond yields increased amid concerns that central banks might extend policy tightening to address persistent inflationary pressures. Inflation in the UK decreased in April from 10.1% in March to 8.7% annually, partly as a result of lower energy prices. However, core inflation, which excludes volatile goods, increased to 6.8%, a 21-year high, strengthening expectations for a 13th straight increase in interest rates in June.

The Nikkei 225 benchmark of Japan reached a 33-year high before ending barely below the 31,000 level. The Bank of Japan's commitment to ultra-loose monetary policy, along with the Fed's hawkish comments, drove the U.S. dollar to a six-month high versus the Japanese yen. Chinese equities tumbled as a slew of underwhelming indications in recent weeks suggested that the country's economic rebound was waning.

Thank You

Yours' Sincerely,  
CA. Sunil H. Talati  
Chairman

## Key Takeaway Summaries

### ₹ INR

India's FX reserves decreased this time by 6 billion dollars as the RBI must have intervened to save the rupee from depreciating above 82.85 levels.

### € EUR

European data indicated a more fragile economic situation. German GDP was revised downward from an initial estimate of 0% to -0.3% QoQ.

### £ GBP

As US Dollar purchasing interest continued continuously, the GBP/USD currency pair extended its drop and tested the 1.2300 demand area.

### ¥ JPY

BOJ's Governor, Kazuo Ueda, stated on Thursday that the YCC strategy may be modified if the benefit-to-cost ratio of the policy changes

**SEPC**  
SERVICES EXPORT PROMOTION COUNCIL  
Office for Promotion of Services and Exports



## Events to WATCH

May 31, 17:30  
GDP Quarterly  
(YoY) (Q4)

May 31 17:30  
Infrastructure  
Output (YoY)  
(Apr)

Jun 01 10:30  
Nikkei S&P  
Global  
Manufacturing  
PMI (May)

The dollar bulls continued to be strong as the Rupee started the week high at 82.78 and mostly traded in a range of 15 paise between 82.68 to 82.83. The dollar strength remained throughout the week due to the ongoing talks about the U.S Debt Ceiling issue which kept the investors and market participants to move towards the safe-heaven currency which is dollar. Ongoing dollar rally was also supported by still strong data coming from the US economy which made the Fed Members to rethink regarding the interest rate decision for the June Meeting. Due to the increased probability of a 25bps hike in June the US 2-year yields have gone up to 4.50%, a level which was last seen in mid-march.



The safe haven buying led the dollar index to strengthen at a two-month high level to trade at 104.40. But the co-relation between the movement of the dollar index and the rupee seemed to be broken as the Rupee continue to weaken till the time dollar index had touched 103.30 levels after that the rupee was more or less remained unaffected and even closed stronger down at 82.57. India's FX reserves decreased this time by 6 billion dollars as the RBI must have intervened to save the rupee from depreciating above 82.85 levels. Few key economic events for the upcoming week are CB Consumer Confidence (May), GDP Quarterly (YoY) (Q4), JOLTs Job Openings (Apr), Nonfarm Payrolls (May) and Unemployment Rate (May).





REPO RATE

5.25%

GDP

1.3%

INFLATION

4.9%

UNEMPLOYMENT

3.4%

TRADE BALANCE

\$-64.23B

## Events to WATCH

May 30, 19:30  
CB Consumer Confidence (May)

May 31 19:30  
JOLTs Job Openings (Apr)

Jun 01, 17:45  
ADP Nonfarm Employment Change (May)

Jun 01, 18:00  
Initial Jobless Claims

Jun 01, 19:30  
ISM Manufacturing PMI (May)



This week our beloved Rupee plunged to 82.95, its lowest levels since Feb23. After two consecutive weeks of weakness, the Indian Rupee regained its composure this week and recovered to close at 82.57. Continued uncertainty about the US debt ceiling drove the markets to be risk averse, helping the dollar and driving other currencies lower.

On the daily candlestick chart, USDINR resisted at the downward moving trendline (yellow colour) connecting the dollar peaks of Oct22 and Feb23. As such, the region around 82.95 (recent dollar high) and 83.29 (all time dollar high and rupee low) will be a good resistance area. A similar yellow colour upward moving trendline connecting the dollar bottoms of Nov22 and Jan23 comes around 81.50 – 81.60, highlighting the dollar support region. Momentum indicators of RSI, MACD and Slow Stochastics are in the overbought territory and gradually turning, suggesting cooling momentum. 14-day Linear Regression line has also turned, offering a sell signal.

My sense is for a rupee recovery. If the dollar gain persists on prolonged uncertainties, Rupee's recovery will be slow and gradual. Dollar exporters should increase their hedge ratios – at current spot around 82.60 – 82.80, am sure business budgets would be lower. Low forward premiums could be a deterrent but reasonably high spot prices are a blessing. Use more of forwards and some vanilla options. Dollar importers can hold on for a while and target spot below 82 mark to resume hedging. Vanilla options are a better instrument if mandated to hedge.

## Events to WATCH

May 31, 13:25  
German  
Unemployment  
Change (May)

May 31, 17:30  
German CPI  
(MoM) (May)

Jun 01, 13:25  
German  
Manufacturing  
PMI (May)

Jun 01, 14:30  
CPI (YoY) (May)

The EURUSD pair maintained its downward trend, hanging around the 1.0720 level at the week's close. The US dollar continued to gain demand, which continued until the end of the week. The sentiment in the financial market this week was highly influenced by the US debt ceiling negotiations. Treasury Secretary Janet Yellen's warning of a potential default by June 1 if Congress fails to extend the debt ceiling sparked negotiations between President Joe Biden, Congress, and opposition Republicans. Progress has been made, but differences remain. Deputy Treasury Secretary Wally Adeyemo's report of progress lifted market sentiment briefly, but the Euro's strength was short-lived. The US dollar was supported by the upbeat local data while creating uncertainty over the Fed's course of action, as policymakers remained divided on the possibility of further interest rate increases. Additionally, European data indicated a more fragile economic situation. German GDP was revised downward from an initial estimate of 0% to -0.3% QoQ. Some important events to follow this week include the German Unemployment Change (May), German CPI (MoM) (May), and CPI (YoY) (May).



harshchadha0211 published on TradingView.com, May 27, 2023 10:08 UTC+5:30



TradingView

The shared currency depreciated further during the week and touched at 1.0700, last seen in mid of March this year. The US Dollar gains strength due to stronger-than-expected PCE inflation statistics and Mester's hawkish remarks from the Fed, which drags down the pair, the US dollar index rose by more than 0.92% and US treasury yields have inched higher to 4.52%. The EURUSD exchange rate closed at 1.0722 after last being observed trading at the top of the descending regression channel, near 1.0750. If the pair overcomes that obstacle and begins to rely on it as support, its recovery may continue towards the 50-period Simple Moving Average, or 1.0800. Following a four-day decline that saw the pair reach its lowest point in more than two months near 1.0700, EURUSD has begun to move upward on Friday. The short-term technical outlooks have yet to indicate a bullish leaning. The Relative Strength Index has moved down to its 14-day RSI's simple moving average which shows neutral signal to the pair.



## Events to WATCH

Jun 01, 14:00  
Manufacturing  
PMI (May)

As investors' confidence was eroded by the uncertainties surrounding the US debt-ceiling problem, sellers of the pound exercised their muscles against continuing demand for the safe-haven US dollar. As US Treasury yields increased, the US Dollar also rose to two-month highs, outperforming most of its competitors. As US Dollar purchasing interest continued continuously, the GBP/USD currency pair extended its drop and tested the 1.2300 demand area. The benchmark 2-year US Treasury bond yields strengthened up to two-month highs at a level of 4.50%, while the US Dollar Index exceeded the 104.00 mark. Biden and McCarthy are close to reaching an agreement that would increase the debt ceiling for two years while capping spending on most everything besides defense and veteran-related programmes. Despite the United Kingdom's strong inflation figures, the GBP/USD exchange rate continued its corrective downward trend into a third week. The attention now switches to the crucial US Nonfarm Payrolls data and US debt-ceiling updates for a new direction in the major.



This was the third straight week where bears remained heavy on the bulls and pair book a loss of approx. 100 pips during the week. For further downside in the pair it needs to comfortably break 1.2285-90 region as 100 days moving average is there afterwards bears could target towards the 1.2000 psychological level while on the upside pair needs to make a decent comeback above 1.2435 comfortably reaching above 1.2435 would open the doors for the 1.2600 region where pair was hovering In the start of the month. On the daily time frame momentum indicator MACD giving mixed signals while RSI and stochastics reaching towards the oversold zone.

# ¥ JPY

REPO RATE

-0.10%

GDP

0.4%

INFLATION

3.5%

UNEMPLOYMENT

2.8%

TRADE BALANCE

-¥432B

## Events to WATCH

May 30, 05:00  
Unemployment  
Rate (Apr)

May 30, 05:00  
Jobs/applications  
ratio (Apr)

May31, 05:20  
Retail Sales (YoY)  
(Apr)

May 31, 05:20  
Industrial  
Production  
(MoM) (Apr)

Jun 01, 09:05  
10-Year JGB  
Auction



USDJPY continued its uptrend this week and made a 6- month high of 140.72. The dollar rallied this week, supported by the positive economic data release, and made a high of 104.41, which is the highest level in the last 2 months. The US Dollar maintained its gains on Thursday as strong US data supported the Fed's hawkish narrative. The GDP of the US economy for the first quarter was revised up to 1.3% from 1.1%. BOJ's Governor, Kazuo Ueda, stated on Thursday that the YCC strategy may be modified if the benefit-to-cost ratio of the policy changes. As part of YCC, the Bank of Japan has left room for reducing bond yield goals from the present 10-year range to a 5-year range. U.S. PCE Price Index increased 0.4% in April compared to 0.1% in March. The report confirmed market predictions that the Fed will maintain higher interest rates for a longer period, which supports the dollar somewhat and benefits the USD/JPY pair. This is boosted by a recent increase in US Treasury bond yields, which widens the US-Japan interest rate differential and encourages capital outflows from the Japanese Yen (JPY). The pair ended the week, by closing at 140.60 level.

The USDJPY opened at 137.95; traded higher compared to the previous week's close and marked the high at 140.42 level during the last trading session of the week, yen weakening by almost 2.34% and closing near to its high during the week, last seen 140 in Nov,22. The US dollar experienced a rather big rally throughout the week, breaking through the top of the triangle that has been developing for some time. The market can now move significantly higher thanks to the ascending triangle being broken, and by the end of the week, we are posing a danger to the 140 level. It's possible that we could look at the 142 level if we can break above that level. Then, based on the "measured move" of the triangle itself, it opens up the prospect of a move to the level 140. The 138 level is a significant barrier that traders start paying special attention to for a floor as it was the top of that short-term rally and could present buying chances. The Relative Strength Index has moved up to its 14-day RSI's simple moving average which shows buying signal to the pair.

harshchadha0211 published on TradingView.com, May 27, 2023 12:40 UTC+5:30



TradingView





# BLOG

## What Is Foreign Exchange Risk And Exposure?

### What is Fx Risk Exposure?

Foreign exchange risk exposure primarily refers to the financial insecurity or risk that is associated with a transaction that is denominated in a currency which is different from the base currency of the company. Foreign exchange risk is also commonly known as exchange rate risk, FX risk or currency risk which arises from a case where a subsidiary firm of a multi-national company prepares and keeps its books of accounts in a currency which is not the currency in which the consolidated books of accounts of the multi-national are made. Hence, when such a financial document or statement is converted to the base currency or the domestic currency of the multi-national firm for the purpose of preparing consolidated accounts it gives rise to risk related to foreign exchange. The basic fundamental that forms the foundation of this exposure is the fact that currencies are extremely liquid and the rates of exchange are dynamic and volatile. The rates of exchange keep fluctuating every minute which creates an impact on the transactions that are associated with exchange rates and currencies and this causes risk and financial exposure.

Businessmen, Banks, financial institutions, investors, traders and other parties that participate in the foreign exchange market can't avoid or stay away from the risk involved in this dynamic market. However, there are certain techniques and strategies that can be used to analyze, measure and tackle the risk involved in foreign exchange market. There are various types of foreign exchange market risks and exposures that are faced by participants in everyday trading in the market.

### Types of foreign exchange risk & exposures

#### TRANSACTION RISK

Transaction risk is a simple and hence the most frequent form of exposure that can be faced and experienced in the foreign exchange market. Transaction risk is basically the risk associated with the transacting process of business in terms of currency other than domestic currency i.e. foreign currency.

#### ECONOMIC RISK

Another type of exposure in the foreign exchange market is economic exposure. It is also commonly referred to as forecast risk. It is basically the degree of a firm's market value that is affected by unforeseen exchange rate dynamics. These factors can have a huge impact on the market position of the firm, the future cash flows and the value of the firm.

Risks like economic risk are not specifically associated with foreign exchange market alone, a firm can be exposed to economic risks due to plenty of other reasons and factors.

#### TRANSLATION RISK

Translation risk is basically the risk that is linked to the translation of a subsidiary's financial statement in a currency alien to the domestic currency of the multi-national company. Domestic currency here refers to the currency in which the consolidated accounts of the MNC are prepared. The translation of financial records may be affected by the exchange rates and their fluctuations of the currencies involved. Such risk can however be nullified and doesn't require much of management's attention.

#### CONTINGENT RISK

Contingency is associated with doubt. A contingent situation is a situation which may or may not arise. Contingent risk thus depends upon an event which might or might not take place.





# 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' tab selected. The table lists various currency pairs with their current bid and ask rates, along with high and low values for the day and the percentage change from the previous day.

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The bottom navigation bar includes icons for Home, My Plans, Services (MFE), Research, and Rate Alert.

## 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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