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TPC Trade Promotion Council of India

Forex Market Insights

Newsletter

Volume 137 → Oct 19 to Oct 25, 2024

Welcome

Dear Stakeholders,

We have been closely monitoring the markets, and would like to share some key insights from the past week. The US Dollar continued its upward trend, marking its third consecutive week of gains. This strength was driven by talks of a potential smaller rate cut in November, ongoing geopolitical tensions, and solid economic fundamentals.

Our Dollar Index (DXY) made significant progress, briefly touching the 200-day Simple Moving Average around 103.80. Looking ahead, we've got a busy week with several important economic indicators coming up, including the CB Leading Index, Richmond Fed Manufacturing Index, and various housing market reports. The EURUSD pair remained under pressure, hovering near the 1.0800 support level. We'll be keeping an eye on Germany's Producer Prices and the upcoming ECB reports.

The British Pound also faced challenges, dipping below the 1.3000 mark against the dollar. Key data to watch includes Public Sector Net Borrowing and consumer confidence figures. The USDJPY pair continued its volatile performance, approaching the significant 150.00 threshold. Japan's inflation figures will be crucial to watch in the coming days. Looking forward, I expect the dollar's strength to persist, but we must remain vigilant about potential market shifts and geopolitical developments.

Thank You
Vijay Gauba
Additional Director General
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Key Takeaway Summaries

₹ INR

Foreign investors have offloaded $8.4 billion worth of Indian equities in October so far, marking the largest monthly outflow since 2002

€ EUR

The Eurozone inflation took the center stage as it showed that the inflation cooled down to 1.7% for the first time in 3 years.

£ GBP

The GBPUSD traded above the 1.3000 levels on Friday after UK retail sales data revealed unexpectedly strong consumer spending in September, indicating economic resilience

¥ JPY

that Japan's headline and core inflation rates dropped to a five-month low of 2.5% and 2.4%, respectively, for September.

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₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
6.50%	1.3%	5.49%	7.8%	$-20.8B

Events to WATCH

Oct 24, 10:30
Nikkei S&P Global Manufacturing PMI (Oct)

Oct 24, 10:30
Nikkei Services PMI (Oct)

Oct 25, 17:00
FX Reserves, USD

After hitting a new all-time high of 84.08, the USDINR pair has settled into a narrow trading range, fluctuating between a weekly high of 84.08 and a low of 83.98. The dollar index extended its rally for the third consecutive week, rising by 0.53% to close at 103.46. This continued dollar strength is largely driven by fading expectations of aggressive interest rate cuts by the Federal Reserve, supported by strong US economic data indicating robust growth and persistent inflation. Several Fed members voiced support for a 25bps rate cut, effectively ruling out a larger 50bps cut. According to the CME watch tool, the market is now pricing in a 90% chance of a smaller quarter-point rate cut, with just a 10% chance of no change.

On the domestic front, India's inflation for October was reported at 5.49%, exceeding the forecast of 5%. Foreign investors have offloaded $8.4 billion worth of Indian equities in October so far, marking the largest monthly outflow since 2002. Additionally, India's forex reserves dropped by USD 10.746 billion to USD 690.43 billion for the week ending October 11, one of the biggest declines in recent times, indicating the central bank's ongoing efforts to defend the rupee. As expectations rise that the Federal Reserve will implement smaller rate cuts, the US dollar could strengthen further, putting additional pressure on the Indian rupee.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5%	3%	2.4%	4.1%	$-70.43B

Events to WATCH

Oct 23, 19:30
Existing Home Sales (Sep)

Oct 24, 18:00
Building Permits (Sep)

Oct 24, 19:15
Manufacturing PMI (Oct)

Oct 24, 19:15
Services PMI (Oct)

Oct 24, 19:30
New Home Sales (Sep)

Oct 25, 18:00
Durable Goods Orders (MoM) (Sep)

The USDINR pair traded within a narrow range throughout the week after reaching a lifetime high of 84.08 the previous week. The continued diminishing expectations of larger rate cuts by the Federal Reserve have strengthened the US dollar, putting pressure on the Indian rupee.

On the daily chart, the USDINR pair maintains a positive outlook as it remains well-supported above the ascending trend line and the key 100-day Exponential Moving Average (EMA). The 14-day Relative Strength Index (RSI) indicates further upside, positioned above the midline at 61.60. Immediate resistance is seen near the all-time high levels, while a break below the trend line could push the pair toward 83.95, with the next support at the 21-day SMA, around 83.84.

As the pair hovers near its all-time highs, exporters are advised to continue hedging their unhedged positions with a 50-60% hedge ratio. Importers, on the other hand, should wait for dips before hedging.

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€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.40%	0.2%	1.7%	6.4%	€4.584B

Events to WATCH

Oct 21, 11:30
German PPI (MoM) (Sep)

Oct 23, 13:30
Manufacturing PMI (Oct)

Oct 23, 13:30
Services PMI (Oct)

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

The EURUSD pair declined for the third week in a row. This week the major driver in the pair was the strength in the dollar index and poor economic data in the Eurozone. The dollar index gained post the hawkish comments from Fed members like Neel Kashkari, Waller, Daly and Bostic suggested more cautious approach for future rate-cuts and hinting towards smaller rate-cuts. Meanwhile the Eurozone inflation took the center stage as it showed that the inflation cooled down to 1.7% for the first time in 3 years, below the ECB's 2% target. As expected ECB lowered the interest rates by 25 bps. ECB President did not provide any further guidance on the future interest rate-cuts but indicated that "We are confident that the disinflationary trend remains on course, with all the data from the past five weeks pointing consistently towards a downward trajectory." While the bullish retail sales and Philadelphia Manufacturing Index further suggested that US economy performs well, which led to decline in the Euro towards a fresh 2-month low of 1.0810. However, the pair recovered some of its losses and ended the week slightly higher at 1.0865.

The EURUSD pair started the week at 1.0931, near its weekly high of 1.0936, marking the third consecutive week of decline. The pair saw continued selling pressure throughout the week, closing near an 11-week low at 1.0810. The decline was driven by the European Central Bank's decision to cut rates by 25 basis points, which was widely expected, and unchanged expectations for U.S. Federal Reserve rate moves, with a smaller rate hike already priced in. In the short term, key resistance levels lie at 1.0900 and 1.1000, while major resistance is found in the 1.1100-1.1200 range. A breakout above this could target 1.1250-1.1300. On the downside, failure to hold above 1.0800 could lead to a decline towards the 1.0650-1.0700 support zone. The pair's future direction will be shaped by developments in Middle East tensions and upcoming Eurozone economic data, providing insight into the region's outlook.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5%	0.5%	1.7%	4%	£ -0.955B

Events to WATCH

Oct 24, 14:00
Composite PMI (Oct)

Oct 24, 14:00
Services PMI (Oct)

The GBPUSD traded above the 1.3000 levels on Friday after UK retail sales data revealed unexpectedly strong consumer spending in September, indicating economic resilience. Retail sales volumes rose by 0.3%, beating the anticipated 0.3% decline, despite concerns over potential tax increases in the upcoming budget. This reflects a 1.9% sales increase for Q3, the highest since mid-2021. The data sparked speculation that the Bank of England may reconsider its dovish interest rate stance. However, the pound remained on track for its third consecutive weekly decline against the strong US dollar. After the release of weaker UK CPI data on Wednesday, Governor Andrew Bailey suggested that the pace of easing could accelerate if inflation figures supported it. With the confirmation now in hand, as the inflation declined to 1.7%, below BoE's 2% target and falling short of market expectation at 1.9%; the pound is expected to face pressure and encounter selling on any recovery attempts. However, a divided Monetary Policy Committee might lead to a cautious 25 bps cut at the BoE's next meeting.

Sterling faced continuous downward pressure as declined for third consecutive week. The pair declined almost by 0.76% and continued to move downwards as it touched a fresh 2-month low of 1.2973. However, the pair recovered some of its losses as it ended the week higher 1.3046. The pair tested the near-term support at 1.3000, but however managed to stay above it. The MACD still trades in the negative zone, which suggests a possible downtrend in the future. If the pair breaches the 1.3000 level, the next possible support lies at the 100-Days SMA at 1.2957 level, protecting the downside. If the next candle formation continues to trade in upward direction, the pair might retrace its path and recover all of its losses.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
0.25%	0.7%	2.5%	2.5%	¥ -294B

Events to WATCH

Oct 22, 10:30
BoJ Core CPI (YoY)

Oct 24, 06:00
Manufacturing PMI (Oct)

Oct 24, 06:00
Services PMI (Oct)

Oct 25, 05:00
Tokyo Core CPI (YoY) (Oct)

The USDJPY hovered around 149 in the last trading session of the week, staying close to its 11-week low as subdued domestic inflation tempered hawkish expectations for the Bank of Japan's monetary policy. Recent data showed that Japan's headline and core inflation rates dropped to a five-month low of 2.5% and 2.4%, respectively, for September, though the core rate slightly exceeded the forecast of 2.3%. Despite this, Japan's top currency diplomat, Atsushi Mimura, reiterated the government's concern over excessive volatility in the yen, signaling that they are closely monitoring currency movements. Earlier this year, Japanese authorities intervened when the yen surpassed 160 per dollar, and traders are now watching the 150 level as a potential intervention point. Globally, the yen remains under pressure from a strengthening U.S. dollar, bolstered by strong U.S. economic data and increased chances of a Trump victory. As Japan's inflation cools and the BoJ maintains a cautious approach, the yen may face further downside, keeping USDJPY volatile in the near term.

The USDJPY pair traded within a narrow range this week, fluctuating between 149 and 150, with resistance forming around the 150-150.50 zone, creating a double top. This area is now considered a significant resistance level for the pair. USDJPY reached a high of 150.32, marking its highest level in over two months. On the downside, 147 is expected to serve as short-term support (S1), while the previous resistance at 143.50 (S2) is likely to act as a key support level if the pair pulls back. In the near term, USDJPY faces strong psychological resistance at the 150 mark. A breakout above this level could push the pair towards the next target at 152. Traders should monitor these levels closely, particularly in light of upcoming comments from BoJ officials, which could provide insights into Japan's monetary policy direction.

BLOG

How Live Forex Rates and Real-Time Exchange Prices Impact Corporate Forex Decisions

The forex market is highly liquid and operates 24 hours a day, five days a week. Staying updated with live forex signals and real-time exchange rates is crucial for corporations. Access to this information allows companies to make informed decisions quickly, which is vital for efficient international financial management.

Impact on Corporate Risk Management

Managing currency risk is crucial for multinational corporations. Live forex rates allow businesses to:

1. Monitor currency exposure in real time.
2. Adjust hedging strategies swiftly.
3. Optimize the timing of international transactions.

By utilizing up-to-date exchange rates, companies can create effective forex strategies that protect their profits from adverse currency fluctuations.

Developing Forex Trading Strategies

Successful forex trading strategies help businesses minimize currency risk and manage cash flows more effectively. Companies use these strategies to:

1. Reduce transaction costs.
2. Optimize cash flow management.
3. Enhance profitability in global operations.

Accurate and reliable market data is crucial for these strategies, which is where top forex trading signals providers come into play.

Forex Trading Signals Providers

Leading forex signals providers offer insights based on comprehensive market analysis, helping businesses:

1. Identify market trends.
2. Find optimal points for entering or exiting trades.
3. Manage risk efficiently.

By leveraging these signals, companies enhance their decision-making processes, resulting in better trading outcomes.

Real-Time Exchange Rates and Treasury Management

Corporate treasury departments use live forex rates to manage cash flows and optimize currency conversions. Real-time data allows treasurers to:

1. Choose the best times for currency conversions.
2. Manage multi-currency cash pools.
3. Make informed decisions regarding cross-border investments and financing.

Incorporating forex signals into treasury systems enables swift responses to market changes, maximizing opportunities from favorable exchange rates.

Tailored Forex Strategies for Corporate Goals

Corporations have different goals in forex management, such as reducing balance sheet exposure or maximizing returns on foreign currency holdings. These objectives require tailored forex strategies:

1. Minimizing transaction costs may involve using forward contracts or netting international cash flows.
2. Maximizing returns might include active trading or carry trade strategies.

Aligning these strategies with corporate goals and risk tolerance is key to their success.

Risk Management and Real-Time Data

Risk management is critical in forex operations. Real-time data helps corporations:

1. Set stop-loss levels.
2. Implement dynamic hedging.
3. Conduct scenario analyses for risk assessment.

Integrating live forex signals into risk management frameworks enables businesses to mitigate market risks effectively.

Selecting the Right Forex Signals Provider

Choosing the right forex signals provider is essential for corporate forex management. Companies should consider:

1. The provider’s track record.
2. Transparency in signal generation.
3. Compatibility with existing systems.
4. Cost-effectiveness.

While signals are valuable, they must complement internal analysis and align with corporate strategies.

THANK YOU

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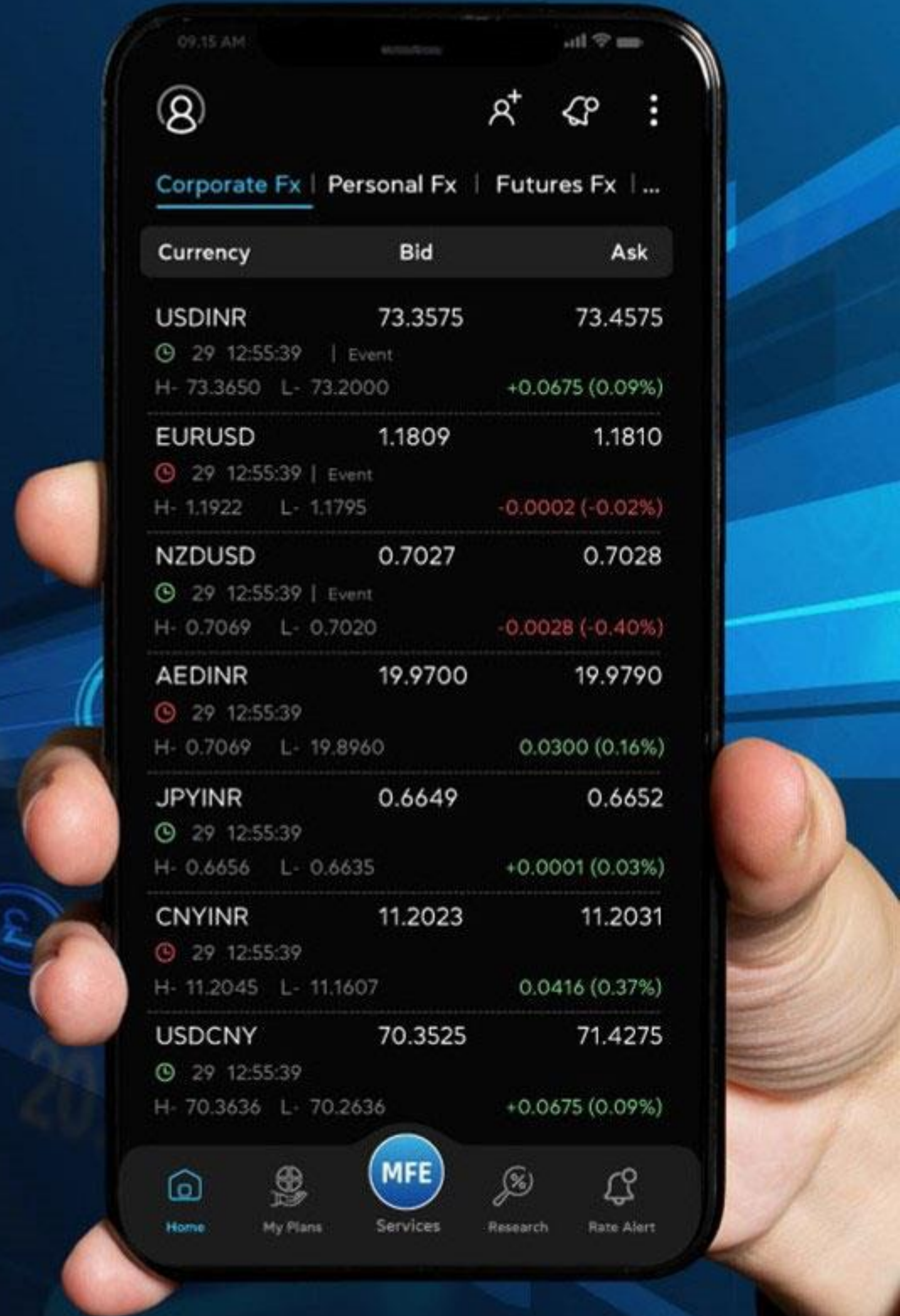

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