



**TPCI** Trade Promotion  
Council of India

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# Forex Market **Insights** Newsletter

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## Key Takeaway Summaries

### ₹ INR

Local unit is likely to appreciate mixed with dollar weakness.

### € EUR

EUR/US\$ pair made modest progress on Tuesday, but a significant gain on Wednesday

### £ GBP

British Pound posted its 3rd consecutive weekly rise by gaining over 200 pips.

### ¥ JPY

US jobs report is due on Friday; it will probably have an impact on the Yen.

# Welcome

Dear Members,

Last month of the year is awaited soon but there's no time yet to slow down, with latest US jobs numbers and euro zone inflation data coming up. Investor sentiment remains hawkish on grounds that the Fed will soon slow the pace of its aggressive rate hikes. A record number of COVID-19 infections and new lockdowns across China have threatened hopes of a reopening of the world's No. 2 economy in the first quarter of 2023.

PMI numbers, due next week might attest to the weakness already seen across the economy. Beijing has signaled at cutting bank reserve requirements to help support the economy. Euro area price pressures remain strong, where in Wednesday's prelim November estimate of inflation in the bloc is likely to show. Inflation in the euro zone was 10.6% in October, more than five times the ECB's 2% target.

The ECB has hiked rates by 75 bps at each of its last two meetings, lifting rates 1.5% in just three months. Markets expects an 80% chance of another 75 bps hike in December. Turbulence in crypto land, growing concern about China's economic outlook given a COVID-19 resurgence and speculation in the soccer world needs to be highly noticed.

Regards

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## Events to WATCH

Nov 30 17:30  
Infrastructure  
Output (YoY)  
(Oct)

Dec 01 10:30  
Nikkei S&P  
Global  
Manufacturing  
PMI (Nov)

Dec 02 17:00  
Deposit Growth

The Indian rupee ended the week at 81.6850. Local unit is likely to appreciate mixed with dollar weakness, softening of crude oil prices and surge in risk appetite in the global markets. All the major currencies across the board recovered due to weakness in the greenback. The dollar index plunged from 113.15 (03-Nov) to 105.85 (25 Nov) almost 6.45%. Crude markets fell sharply from \$99.25 to \$85.58 in recent session as record-high daily infections in China ramped up tensions over weakening oil demand.



Still, recent weakness in the dollar, after the US Fed indicated it was considering a slower pace of interest rate hikes, helped oil prices trim some losses. Easing worries over tight supply also impacted oil prices this week. The G7 group was seen applying a much higher-than-expected price cap on Russian oil sales. The prospect of a \$65 to \$70 a barrel price cap on oil sales from Russia dispelled fears that Moscow will slash oil exports to prevent selling at a loss. US\$INR annualized premium is at below 11 years low around 2.06%. The expected range for the next week is likely to be (80.60- 82.00).

# \$ USD

REPO RATE

4.0%

GDP

2.6%

INFLATION

7.7%

UNEMPLOYMENT

3.7%

TRADE BALANCE

\$-73.282B

## Events to WATCH

Nov 29, 20:30  
CB Consumer Confidence (Nov)

Nov 30, 19:00  
GDP (QoQ) (Q3)

Nov 30, 20:30  
JOLTs Job Openings (Oct)

Dec 01, 19:00  
Core PCE Price Index (MoM) (Oct)

Dec 01, 20:30  
ISM Manufacturing PMI (Nov)

Dec 02, 19:00  
Nonfarm Payrolls (Nov)

Dec 02, 19:00  
Unemployment Rate (Nov)



It was a stable and quiet rangebound trading week for US\$/INR. The weekly amplitude (high low difference) was a meagre 47.5 paise. This was despite a more than 2% decline in the dollar index and reasonable (usual) volatility in international major currencies as well as the Asian currencies. Rupee's rock solid stability does raise eye-brows.

The daily candlestick chart barely offers any valuable signals. 89-day Simple Moving Average (blue line) comes around 80.82. The old price up-gap formed at 79.99-80.28 (21-22 Sep'22), highlighted by red horizontal lines, is yet to be filled. An upward moving trendline (grey colour), connecting the previous dollar lows of Jan'22, Feb'22, Apr'22 and May'22 comes around 80.00-80.20. The price gap and trendline tends to indicate that 80.00-80.50 will be an important dollar support region. Do recall that during Jul'22 to Sep'22, 80.00 was a big resistance. Momentum indicators are predominantly neutral.

Due to a stable rupee, US\$INR options volatility has come down substantially (lowest levels in 2 months). As such, vanilla options has become reasonably cheap. Dollar exporters and importers should actively look at vanilla options to hedge forex risk. Even though US\$INR is stable, geopolitical worries and economic uncertainty (which could drive rupee to be volatile) is quite high. Forwards can be selectively done as long as it protects business budgets and benchmarks.

## Events to WATCH

Nov 30, 15:30  
CPI (YoY) (Nov)

Dec 01, 14:30  
Manufacturing  
PMI (Nov)

Dec 01, 15:30  
Unemployment  
Rate (Oct)

Over the last week, the EUR/US\$ pair resumed its upward trend and reached the 1.0395 resistance level to end the week. On Monday, the US dollar strengthened, maintaining the upward trend in the face of worrying Chinese news. The weekly low for EUR/US\$ was at 1.0221, and it later recovered to that level. The EUR/US\$ pair made modest progress on Tuesday, but a more significant gain occurred on Wednesday when US growth-related data unexpectedly disappointed to the downside and the FOMC Meeting Minutes were significantly more dovish than expected. On the other hand,



Europe continues to be under pressure from the energy crisis and the absence of a unified fiscal strategy, which has been an unfinished task ever since the European Union (EU) was established. The EU has a considerably more difficult time stabilizing prices; in fact, we'll have brand-new CPI figures next week.

EUR/US\$ regained its traction after dropping toward 1.0350 in the US session and climbed above 1.0400. Trading conditions remain thin on Black Friday and the pair remains on track to end the week in positive territory. EUR/US\$ is displaying a lacklustre performance in the Asian session after resurfacing from the critical support of 1.0382. The Euro pair was hovering above the round-level support of 1.0400. The major is awaiting a potential trigger for a fresh impetus as the market mood is extremely quiet amid the holiday in the United States on account of Thanksgiving Day. EUR/US\$ is playing with the 200-period Exponential Moving Average at 1.0389 on a daily scale. The corrective move in the asset after printing a high of 1.0482 on November 15 to near 1.0226 has been supported by the upward-sloping trend line placed from November low at 0.9730. Going forward, potential resistances are plotted from June 27 high at 1.0615, and May 30 high at 1.0787. Relative Strength Index is oscillating in a bullish range of 60.00-80.00, which indicates that upside momentum is active.

## Events to WATCH

Dec 01, 15:00  
Manufacturing PMI (Nov)

In a week cut short by the Thanksgiving holiday, the US Dollar lost ground broadly, helping the British Pound post its 3rd consecutive weekly rise by gaining over 200 pips. Despite a quiet week overall & a strong advantage for the US Dollar bears, the bulls in the pound continue to be unbeatable. Reports from FOMC November meeting revealed a dovish tilt in the Federal Reserve's policy stance as markets nearly confirmed a rate hike of 50 bps, reviving dollar selling while hurting rates on US Treasury bonds. The US Dollar's struggles were further made worse by a series of poor economic data released before Thanksgiving. The US S&P Global Composite PMI Output Index dropped from a final value of 48.2 in October to 46.3 this month, indicating increased recession risks, also escalating layoffs in the technology industry, US weekly initial jobless claims have reached three-month highs of 240K. Buyers of the Pound Sterling were able to outperform supporters of the US Dollar owing to low trading activity amid Thanksgiving Day and a partial holiday on Black Friday.



Pound registered a third straight weekly gain, bulls remained unstoppable and gained over 200 pips during the week even touched three month high 1.2153 amid broad based greenback weakness. Cable has erased all the losses bought by tax cutting policy errors and rallied nearly 18 big figures from all time low of 1.0386. Looking at daily chart 1.2150 now seems to be a near-term resistance breaking of these levels could open the doors towards 1.26, while on the downside 1.1750 would play the role of support which was previous resistance. It seems like bulls have taken the charge but we have seen in the past Sterling falls even faster. It will be critical for the pair to stay above 200 days moving average i.e. 1.2180-85. MACD is giving mixed signals while RSI trading at 65 which is considered to be an overbought zone.

# ¥ JPY

REPO RATE

-0.10%

GDP

-0.3%

INFLATION

3.7%

UNEMPLOYMENT

2.6%

TRADE BALANCE

¥ -2162B

## Events to WATCH

Nov 29, 05:00  
Unemployment Rate (Oct)

Nov 29, 05:00  
Jobs/application s ratio (Oct)

Nov 29, 05:20  
Retail Sales (YoY) (Oct)

Nov 30, 05:20  
Industrial Production (MoM) (Oct)

Dec 01, 06:00  
Manufacturing PMI (Nov)



The US\$/JPY traded this week quite shaky but depreciated slightly and closed at 139.164 level at the end of the week. The pair also touched the weekly low of 138.048 level. Now, the eyes will be on further depreciation if the dollar index weakens. If the pair recovers it could touch the top at the 50-day Moving Average of 143.271. As the pair tested the previous week's range bound, the support level will be remaining the same at 137.664 level in case of further depreciation and major resistance at 142.484 if the pair appreciates. The MACD line crossed over the signal line but reversed the movement and traded parallel but below the signal line which shows a further divergence. MACD line may take support and it may reverse towards the signal line. The pair ended the month at a lower level compared to the previous week which showed price behavior is slightly downward. The Relative Strength Index has turned again towards its 14-day RSI's simple moving average and has touched it which indicates support to appreciate the pair.

Throughout the trading week, the US dollar oscillated back and forth while testing a significant trend line. Given that Thanksgiving was celebrated in the United States on Thursday and that Friday is normally a day when most people don't go back to work, it's interesting that we were unable to break down below it. It's also difficult to try to read the action of Thursday and Friday. Since this market has been overbought for a while, a lot of the recent wobbly behavior is actually beneficial for it since traders were way too complacent. In that case, the traders might have eliminated all the weak hands. Remember that the US jobs report is due out on Friday; it will almost probably have an impact on what occurs next, as the Federal Reserve's monetary policy statement in December will be the next data point.





# BLOG

## Beginner's Risk Management Strategies For Forex Trading

**Gather The Know-How of Forex Market-** Being a currency hub, the forex market is controlled by the simple economic fact of supply and demand. Therefore, as a first-timer, collecting ample knowledge about forex trading on the different markets within it is necessary to ensure you do not fall prey to unannounced losses. Just remember these few things to begin.

**Use Demo Account-** The effectiveness of practicing with the demo account before going full in for forex trading lacks the acknowledgment it deserves. The demo account lets you trade in the same market environment but without the risk of money losses. It is necessary to help you build the confidence you need to begin real trading.

**Fix A Risk-Reward Ratio-** The strategy of analyzing and setting a risk to reward ratio for your trade is highly necessary to avoid losing big. The main goal behind this strategy is to ensure you make every trade worth it for your bank account. It does not guarantee of profit, but it does reduce the chances of losses greatly.

**Watch The News-** Analysis plays a major role in deciding the potential future of any currency

trade. So, it is very important to keep an eye out on the different market announcements, political declarations, etc., as they might have an impact on the prices of the currencies you have invested in.

**Set Your Risk Tolerance-** You need to enter forex trading with a brave heart as it can get a little stressful. So, another risk management strategy to better plan your profits and losses is to set a risk tolerance for yourself before you begin. It is necessary to ensure you sleep better and feel confident about your financial position, even after trading.

**Begin With Low Leverage-** Whether you are a beginner or habitual forex trader, it is recommended to keep investment low in the beginning for a new currencyh.

This is important as, given the volatility of the forex markets, going in big can result in both a major win and a serious loss. Once you are comfortable and you understand the nature of the currency, you can begin increasing your leverage amount.

**Be Consistent-** The key thing to remember is to not get too ambitious too soon. In simpler words, do not

start investing big and increasing the size of your positions as soon as your profits increase. This will directly impact the risks attached with big trades. Always set an investment percent per trade for the initial time to ensure you better manage your profits and losses.

Overall to conclude, if you are seriously looking to begin forex trading, keep in mind the above-mentioned risk management strategies to start on the right foot.

For necessary market updates and central announcements, there are multiple online platforms that keep you well-informed. Myforexeye is one such platform that is committed to resolving all your forex-related questions and concerns to prepare you well to begin trading with a strong foundation and the most updated knowledge.



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