



# Forex Market **Insights** Newsletter

Volume 73 → July 9<sup>th</sup> to July 15<sup>th</sup> 2023

## Key Takeaway Summaries

### ₹ INR

After being range bound from 81.90 to 82.05 for almost 2-weeks, the US\$/INR finally broke the range to show some degree of volatility.

### € EUR

The EUR/US\$ pair making just minor fluctuations for the second straight week around the 1.0940 level.

### £ GBP

Sterling continued its recovery journey against the U.S. Dollar this week, by opening at 1.2684.

### ¥ JPY

The pair started the week on a positive note by opening at 144.26 level. But after that Yen started recovering.

# Welcome

Dear Stakeholders,

Stocks ended the week lower in a relatively calm market, influenced by the shortened holiday week and investors anticipating second-quarter earnings reports. The release of the Federal Reserve's meeting minutes on Wednesday played a significant role in investor sentiment, as it raised the expectations of further interest rate hikes in the year.

This week was tough for the Rupee, as it had its worst performance in seven weeks. The main reason for this was worries that the Federal Reserve might raise interest rates more than expected, which put pressure on the local currency.

On worries that central banks may need to continue tightening monetary policy, the pan-European STOXX Europe 600 Index dropped 3.09%. Investors were also let down by the absence of concrete steps taken to strengthen the Chinese economy in spite of additional government promises of assistance. The yields on European government bonds dipped. The benchmark German 10-year bond's yield finished above 2.6%. In June, the UK housing market felt the impact of rising mortgage rates, with a 2.6% year-over-year drop in house prices, the biggest decline since 2011.

Japan's stock markets experienced a decline as both the Nikkei 225 Index and the broader TOPIX Index retreated from their 33-year highs. Investors opted to lock in profits, especially in the technology sector, which had been performing strongly. The yen gained strength against the U.S. dollar, reaching around JPY 143 compared to the previous week's JPY 144, as expectations for Bank of Japan intervention waned.

Thank You

Vijay Kumar Gauba

Additional Director General

Trade Promotion Council of India

## CONTENTS

INR 2

US\$ 3

EUR 4

GBP 5

JPY 6

BLOG 7





## Events to WATCH

Jul 12, 17:30  
CPI (YoY) (Jun)

Jul 14, 12:00  
WPI Inflation  
(YoY) (Jun)

Jul 14, 17:50  
Trade Balance

After being range bound from 81.90 to 82.05 for almost 2 weeks, the US\$/INR finally broke the range to show some degree of volatility. The Rupee again went to depreciate quickly, close to the RBI intervention level of 82.80-90. The change was almost close to 1% or 73 paise, as the US\$/INR pair started the week at 82.01, made a high of 82.76 and ended the week at 82.74. The real dollar rally started on Wednesday after the FOMC meeting minutes were released, which clearly indicated that after pausing in the previous meeting, this time a 25-bps hike is expected at the upcoming Fed meeting which is due on 26th July. On Thursday, the ongoing dollar rally was supported by the private employment data which came in more than twice the forecasted figures, which ultimately raised the rate hike expectations to 90%.



As forecast, it was 228K and the actual number printed was 497K. The dollar index initially in the week was trading around 102.90 but after the release of these 2 fundamental factors, the dollar index reached a weekly high of 103.50. Indian FX Reserves data showed an additional 2 billion dollars to again reach 595 billion dollars. The future movement of the US\$/INR pair doesn't seem to breach the 83 level because we have seen RBI intervening around 82.90. Key events to focus on in the upcoming week are CPI (MoM) (Jun), CPI (YoY) (Jun), Core CPI (MoM) (Jun) & PPI (MoM) (Jun).



# \$ USD

REPO RATE

5.25%

GDP

2%

INFLATION

4.0%

UNEMPLOYMENT

3.6%

TRADE BALANCE

-\$68.98B

## Events to WATCH

Jul 12, 18:00  
CPI (YoY) (Jun)

Jul 12 18:00  
Core CPI (MoM)  
(Jun)

Jul 13, 18:00  
PPI (MoM) (Jun)

Jul 13, 18:00  
Initial Jobless  
Claims



This week was tough for the Rupee, as it had its worst performance in seven weeks. The main reason for this was worries that the Federal Reserve might raise interest rates more than expected, which put pressure on the local currency. The Rupee also experienced losses for four consecutive sessions.

The relentless upward trajectory of the currency pair has effectively eliminated all previous gaps on the upside. However, an interesting turn of events occurred on Friday when the pair opened with a significant gap up, ranging from 82.56 to 82.65. Notably, the trendline positioned at 82.90-95 has consistently played a pivotal role as a resistance level on multiple occasions. Furthermore, the presence of the 144-day moving average near 82.20-25 further reinforces the potential for a downside movement in the pair. Consequently, it appears likely that we may witness a decline in the near future.

Examining the daily time frame, it becomes evident that the momentum indicators have reached the overbought zone, a signal that further supports the notion of an impending downward shift. Consequently, exporters are advised to seize the opportunity to hedge their receivables at the levels of 82.65-70+ spot. On the other hand, importers who didn't hedge their payments when spot was below 82 are advised to hold and wait for 82.25 to hedge if mandatory can choose for the vanilla.



## Events to WATCH

Jul 11, 11:30  
German CPI (MoM) (Jun)

Jul 11, 14:30  
German ZEW Economic Sentiment (Jul)

The lack of significant European data for the week kept the Euro under control, with the EUR/US\$ pair making just minor fluctuations for the second straight week around the 1.0940 level. The US Dollar gained strength amidst a deteriorating market sentiment. The mood soured due to several factors, including weaker-than-anticipated growth figures raising concerns about recessions in major economies. Ongoing monetary policies by central banks exacerbated fears, resulting in stock market sell-offs. On Friday, the EUR/US\$ pair initially jumped to 1.0930 in response to the encouraging headlines of US Nonfarm Payrolls (NFP) report, but later fell below the 1.0900 threshold. The report, which showed that the country added just 209K new jobs in June, missing expectations and initially triggering optimism. As equities gained, the US dollar experienced a decline, albeit with reduced enthusiasm due to discouraging aspects of the report. Notably, Average Hourly Earnings increased by 0.4% MoM and 4.4% YoY, signaling inflation concerns and supporting the Federal Reserve's argument for further tightening. Consequently, the possibility of a recession remains a significant concern. Some key events to follow in the upcoming week include German CPI, German ZEW Economic Sentiment and Industrial Production.



The EUR/US\$ pair made some gains in the last trading session of the week to close at 1.0968. Throughout the trading week, the dollar has rallied pretty sharply against Euro, putting the 1.0833 level falling in a region of support for the pair. If everything remained the same, the 1.10 level above has provided some minor resistance, but if we were to break above it, we would then have to contend with the 200-Week EMA, which is close to the 1.11 level. If the pair declines below 1.0839, a test of 1.0773 is likely, and the pair may then correct lower. All things being equal, this market will continue to have a lot of noise since both central banks are pretty tight-lipped, and as a result, people are attempting to predict their future actions. Relative Strength Index oscillators at 79 indicate a neutral signal as EUR/US\$ breached its resistance at 1.0950, but MACD is displaying a buy signal also favoring a further upside for the pair. A breach of the 1.0839 barriers will signal a short-term bottom on the upside.



## Events to WATCH

Jul 11, 11:30  
Average Earnings Index + Bonus (May)

Jul 13, 11:30  
Manufacturing Production (MoM) (May)

Jul 13, 11:30  
GDP (YoY) (May)

Jul 13, 11:30  
Monthly GDP 3M/3M Change (May)

Sterling continued its recovery journey against the U.S. Dollar this week, by opening at 1.2684. During the start of the week, the pair was steady despite the manufacturing activity in the U.S. slowing down for two months straight in a row. The ISM Manufacturing PMI fell to 46 against the expectation of 47.2, while the manufacturing PMI of the U.K. came higher. But the pound fell on Wednesday after the release of FOMC Meeting Minutes, which showed that nearly all Fed representatives had said that more tightening was expected. Bullish economic data from the U.S. economy like ADP Non-farm Employment Change, services PMI, and ISM Non-Manufacturing PMI, led to an increase in U.S. 2-year bond yield and 10-year bond yield to its highest level in 4-months to 5.11% and 4.09% respectively. And the DXY made a weekly high of 103.57. But the hawkish pricing of the BoE terminal rate over 6.0% supported the pound. Also, the U.S. Nonfarm Payrolls missed the forecasts, which has given the GBP/US\$ pair a significant boost. Sterling made a new high this year, reaching a level of 1.2849, a level last seen in April 2022. U.K.'s Claimant Count Change and U.S. CPI will be eyed for further cues.



Throughout the week, the currency pair remained in an uptrend, gaining around 250 pips. The pair received a boost on Friday when the Non-Farm Payrolls data came out lower than expected. It appears that the pair is heading towards the 1.30 level, but it needs to comfortably break the 1.2850 region for further upward movement. This situation is likely to bring about a lot of volatility in the pair. The 1.30 level is significant psychologically, and if it is breached, the market could continue to rise. However, if we see a pullback from the current levels, we may find support around the 1.2650 level, followed by the 1.2575-80 region where the 50-day moving average is located. Overall, we can expect the market to exhibit a lot of noisy behavior in this situation. On the daily timeframe, the momentum indicators RSI and MACD are trading in an overbought zone, indicating a potential reversal or slowdown in the upward momentum.

# ¥ JPY

REPO RATE

-0.10%

GDP

0.7%

INFLATION

3.2%

UNEMPLOYMENT

2.6%

TRADE BALANCE

-¥-1372B

## Events to WATCH



The pair started the week on a positive note by opening at 144.26 level. But after that Yen started recovering. The risk-off mindset increases demand for the safe-haven JPY, supported by concerns over probable action by Japanese authorities to strengthen the domestic currency. And the concerns about economic challenges brought on by quickly rising borrowing prices. The possibility of a further escalation in trade disputes between the US and China, the world's two largest economies, also weighs on the mood toward risk globally. The pair recovered little after the release of hawkish FOMC Meeting Minutes and bullish economic data led to widening U.S. Japan rate differential, along with the expectation of BOJ continuing with ultra-loose monetary policy until next year. But on Friday after the release of U.S. Non-Farm Payrolls, which came lower than expectations, the dollar index declined to a two-week low at 102.22 level. U.S. bond yields also experienced a sharp decline after the data release, with the 2-year yield falling to 4.75% and the 10-year yield to 4.00%. This resulted in US\$/JPY plunging to its two-week low at 142.06 level. It almost fell by more than 1% in a day, and ended the week negatively, by closing at the same level.

The US\$/JPY opened at 144.65, the rally of dollar against the yen has been continuous for the past week as well. The US\$/JPY pair stops its intraday retracement decline from its highest level since November 2022 reached during the first trading day of the week near the 144.91 range. After the NFP data came in negative, the US\$/JPY pair continues to experience strong selling pressure for the second straight day on Friday, falling to a nearly two-week low in the 142.06 area during the US session. The pair hasn't been able to consolidate, though, above the 145 regions till now. In the interim, any sizeable rally may continue to encounter strong resistance in the vicinity of the 145, we expect BOJ has intervened at 145 as previously seen at these level. First support for the pair looks at 142 and if it is able to break with continuing yen strengthening there will be strong support at 139 which previously was a strong resistance. The relative Strength Index showing a overbought region at the 20 value and the momentum indicator MACD comes close showing a selling signal.







# BLOG

## Understanding Forex Trading Psychology And Overcoming The Emotional Barriers

Forex trading is a volatile and dynamic world that evokes a range of powerful emotions. Trading psychology plays a vital role in the forex market, where emotions and sentiments steer the inclination to take risks or retreat from the volatile terrain, ultimately leading to divergent outcomes.

To understand trading psychology in forex, it is crucial to know about two main emotions: Greed, and Hope.

### Greed

Greed is a strong feeling that can cloud people's judgment when trading. It happens when traders become too focused on making more money and ignore important information about the economy. This usually occurs in bullish markets, where traders keep betting that the currency pair will go up, even if there are reasons to be cautious. For instance, a trader purchased 5 lots of US\$/INR at 81.70 and set a take-profit (TP) level at 81.95. In this situation, two possible scenarios can unfold. Firstly, if the market reaches 81.80, the trader could exit the trade, securing a profit of only 10 paisa.

Secondly, if the market continues to rise and reaches 81.95, the trader may choose to hold onto the position, anticipating further appreciation of the dollar beyond 82 levels.

**Hope** is the emotion that makes traders continue investing even when they are losing money. It can blind them to the risks involved and give them a false sense of confidence that they will eventually make a profit. This often happens because traders don't wish to admit they were wrong, and as a result, they find it difficult to manage the risks effectively. For instance, a trader purchased 10 lots of US\$/INR at 81.70 and placed a stop loss at 81.55. Unfortunately, the stop loss was triggered, indicating a loss. However, despite this, the trader decides to continue holding the position, hoping that the currency will reverse its trend and reach 81.70 or higher.

Both scenarios mentioned above deviate the trader from their trading objective. Understanding and navigating these psychological dynamics within forex trading enable traders to develop a more well-rounded perspective, allowing for better decision-making and a higher likelihood of success in this exhilarating arena.

The following points should be kept in mind in order to find a balance between these two sides of a coin.

**Discipline:** A key component of trade psychology is discipline. It entails following a clearly laid out trading strategy, and abiding by established guidelines. By exercising discipline, traders can prevent rash judgments, properly manage risk, and stay concentrated on their long-term trading objectives. It aids in avoiding the urge to chase after immediate gains and enables steady, logical decision-making, which improves trading results.

**Practice and Belief:** Discipline and belief are crucial for traders as they navigate the ups and downs of the market. By adhering to a disciplined approach and having faith in their trading strategies, traders can maintain focus and learn from setbacks. This combination of practice, belief, and learning from experiences ultimately leads to growth and success in the trading world.

**Risk Management:** This involves identifying and reducing potential dangers connected to trade activity. Position sizing, setting stop-loss orders, assessing risk-reward ratios, and maintaining emotional control are all examples of effective risk management techniques. It aids in capital preservation and raises the likelihood of continuous profitable trading.

For success in forex, you must have a firm grasp of trading psychology. The ability to put methods into practice, and maintain emotional equilibrium will enable traders to accomplish their long-term trading objectives. Developing discipline fosters a thorough understanding of the market and makes it easier to build more accurate hypotheses. Keep in mind that the path to being a successful trader requires continuing commitment, introspection, and a devotion to continuous growth.





## Contact Details



Gaurav/Prabjeet  
8860663372/8860646603  
[advisory@myforexeye.com](mailto:advisory@myforexeye.com)



Asjad Husain  
9718944490  
[researchdesk1@tpci.in](mailto:researchdesk1@tpci.in)

Disclaimer:- The information provided in this newsletter is for general informational purposes only, All information is provided in good faith, however we make no representation or warranty of any kind, express or implied, regarding the accuracy, adequacy, validity, reliability, availability or completeness of any information in this newsletter. Under no circumstance shall TPCI or Myforexeye have any liability for any loss or damage of any kind incurred as a result of the usage or reliance on any information provided on the in the newsletter. Your usage and reliance on any information on this newsletter is solely at your own risk. TPCI and Myforexeye are not responsible if one takes a decision based on the contents of the newsletter.