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PDEXCIL

Forex Market Insights

Newsletter

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Welcome

Dear Members,

The Indian rupee touched a fresh record low of 91.97 against the US dollar this week, closing sharply weaker at 91.94 after a steep 1.25-rupee decline.

The USDINR pair faced sustained selling pressure from heavy FPI outflows nearing $3 billion in January, alongside strong importer demand for bullion and corporate payments. In contrast, EURUSD, GBPUSD, and USDJPY reflected broader dollar weakness driven by eased US tariff rhetoric and geopolitical tensions. EURUSD reached a four-month high near 1.1833 on steady ECB policy and contained Eurozone inflation, while GBPUSD climbed to 1.3645 supported by resilient UK data and reduced rate-cut bets. USDJPY advanced initially to 159.225 amid Yen weakness from fiscal and political risks but reversed to close at 155.74 after the BoJ held rates steady.

Looking ahead, USDINR bias remains weak as persistent capital outflows, trade concerns, and importer demand continue to weigh on the rupee. RBI intervention via swaps and rising reserves to $701.36 billion should curb disorderly moves, but near-term pressure is likely to persist unless global risk sentiment improves or outflows moderate.

Thank you

Key Takeaway Summaries

₹ INR

The rupee finished the week significantly weaker at 91.94, declining by nearly 1.25 rupees and hitting a new record low of 91.97.

€ EUR

EURUSD climbed to a four-month high of 1.1833 after the dollar weakened, following the U.S. softer tone on proposed tariffs.

£ GBP

GBPUSD climbed to a four-month high of 1.3645 as the dollar stayed weak and UK economic data remained supportive.

¥ JPY

Uncertainty over when the BoJ may normalize policy lifted USDJPY to 159.225, but the pair later gave up gains and closed the week at 155.74.

₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.25 %	2.0%	1.33%	4.8%	$ -25.04 B

Events to WATCH

Jan 28, 16:00
Industrial Production (YoY) (Dec))

Jan 30, 15:30
Federal Fiscal Deficit (Dec)

Feb 01, 11:30
Indian Union Budget

The rupee ended the week sharply weaker, closing at 91.94 after falling by 1.25 rupee, marking a fresh record low of 91.97. The currency remained under sustained pressure throughout the week as heavy FPI outflows and strong importer demand continued to dominate market dynamics. Foreign investors pulled out close to $3 billion from Indian equities in January so far, extending last year's large outflows and keeping dollar inflows limited. At the same time, elevated demand from bullion imports and corporate payments added to pressure on the rupee. Although the dollar weakened to a five-month low of 97.425 due to geopolitical tensions involving the U.S., Europe, and Greenland, the rupee failed to benefit as continuous capital outflows persisted amid geopolitical uncertainty. The RBI remained active in the market, using $2–3 billion in FX swaps to slow the pace of depreciation rather than defend a fixed level.

India's FX reserves rose sharply by $14.16B to $701.36 billion, including $4.623 jump in gold reserves. India's January composite PMI rose to 59.5, with both manufacturing and services staying firmly in expansion, indicating resilient domestic activity. In the U.S., strong GDP growth of 4.4% and low jobless claims reinforced expectations of a slower pace of Fed rate cuts, keeping external pressure intact. Looking ahead, USDINR is likely to remain under pressure as long as foreign outflows, trade-related concerns, and importer demand persist. While RBI intervention and rising FX reserves should help prevent disorderly moves, the near-term bias for the rupee remains weak, with markets closely watching global risk sentiment, trade developments, and capital flows.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.75%	4.4%	2.7%	4.4%	$ -29.35 B

Events to WATCH

Jan 26, 19:00
Durable Goods Orders (MoM) (Nov)

Jan 27, 18:45
ADP Employment Change Weekly

Jan 27, 20:30
CB Consumer Confidence (Jan)

Jan 28, 03:00
API Weekly Crude Oil Stock

Jan 28, 21:00
Crude Oil Inventories

Jan 29, 00:30
Fed Interest Rate Decision

Jan 29, 19:00
Initial Jobless Claims

Jan 30, 19:00
PPI (MoM) (Dec)

The USDINR pair extended its rally from last week, moving higher during the current week and registering a fresh all-time high near 91.97 on Friday. The Dollar Index opened the week on a firm footing around 99.10, but declined steadily over the week, falling by 1.69% to close near 97.45. Despite the broad weakness in the dollar, the rupee failed to strengthen, as sustained dollar demand from corporates and importers more than offset the softer dollar environment, adding to the existing pressure on the currency.

From a technical perspective, the daily chart continues to reflect a strong bullish trend, as indicated by the upward-sloping linear regression channel. The 14-day RSI is currently placed around 76.00, entering overbought territory and signaling stretched momentum. This suggests the possibility of short-term consolidation or mild exhaustion at elevated levels. On the upside, the 92 psychological level is expected to act as immediate resistance. On the downside, with prices having moved higher, initial support has shifted up to the 91.10–91.20 zone. A sustained break below this area could expose the next support near 90.45, which aligns with the 25-day EMA (white line).

The sharp pace of rupee depreciation has renewed concerns among importers. Those who hedged during earlier corrective dips are relatively better placed, while others may feel increased pressure at current levels. The strategy remains unchanged—importers should look to hedge on meaningful dips of around 25–30 paise. Exporters may begin hedging at current levels, but are advised not to hedge aggressively at once, as further opportunities could emerge. A gradual increase in hedge ratios is preferred. Given elevated uncertainty, a combination of options and forwards is strongly recommended for effective risk management.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
2.15%	0.3%	1.9%	6.3%	€ 9.896 B

Events to WATCH

Jan 29, 15:30
Consumer Confidence (Jan)

Jan 30, 15:30
GDP (YoY) (Q4)

Jan 30, 15:30
GDP (QoQ) (Q4)

Jan 30, 15:30
Unemployment Rate (Dec)

EURUSD peaked at 1.1833, a four-month high, as the dollar weakened after the U.S. President softened his stance on proposed tariffs involving 10 Eurozone countries, while the EU signaled readiness to use trade defense measures, heightening trade tensions. In the United States, Core PCE inflation came in line with expectations, indicating that price pressures remain above the Fed's target, while GDP was revised higher to 4.4% and initial jobless claims reflected continued labor market strength. Despite these supportive fundamentals, the dollar failed to gain. In the Eurozone, headline CPI surprised lower at 1.9% while core CPI met expectations. The ECB reiterated that it is in no hurry to adjust interest rates and is comfortable maintaining a steady policy stance as inflation remains close to target and economic conditions are stable, providing underlying support to the euro. Looking ahead, EURUSD may hold near current highs as steady ECB policy and stable Eurozone inflation underpin the euro, with ongoing geopolitical tensions preventing a sustained recovery in the dollar.

The EURUSD pair rallied by over 2% during the week, supported by a sharp decline in the US Dollar, which fell 1.69% amid heightened geopolitical uncertainty. Despite the recent strength, the pair continues to trade within a month-long range of 1.1500–1.1850 and is currently hovering near 1.1826, marginally above the upper band of the linear regression channel. A sustained break above 1.1850 would confirm bullish continuation and open the path toward the 1.2000 psychological level. Momentum indicators remain supportive, with the 14-day RSI at around 65.50 and approaching overbought territory, indicating scope for further upside. On the downside, immediate support is seen at 1.1650, which coincides with the 100-day SMA, acting as a key short-term support zone. Euro exporters to remain vigilant and look to gradually hedge on the upticks, typically around the resistance zone . Avoid hedging larger chunks in one-go as overall outlook remains bullish for the pair.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
3.75%	0.1%	3.4%	5.1%	£ -6.116 B

Events to WATCH

Jan 27, 5:31
BRC Shop Price Index (YoY)

Jan 27, 10:30
Car Registration (MoM) (Dec)

GBPUSD peaked to a four-month high of 1.3645 during the week, primarily driven by sustained dollar weakness and supportive UK macroeconomic signals. The greenback remained pressured after the U.S. President softened his stance on tariff measures against certain Eurozone countries, easing safe-haven demand for the dollar. On the UK side, retail sales surprised positively, PMI readings indicated improved business activity, and inflation printed slightly above expectations along with the unemployment rate meeting expectations of 5.1%. These developments reinforced market confidence in the resilience of the UK economy and aligned with the BOE's cautious stance, reducing expectations of near-term rate cuts and underpinning sterling demand. In contrast, despite U.S. Core PCE meeting expectations and remaining above the Federal Reserve’s target, along with an upward GDP revision to 4.4% and steady initial jobless claims, the data failed to generate meaningful dollar strength amid prevailing geopolitical and trade-related uncertainties. Overall, the combination of constructive UK data and a softer dollar tone supported GBPUSD’s upside. Near term, the pair may remain strong if UK data momentum persists and BoE easing expectations are pushed further out, unless stronger U.S. data or renewed risk-off flows revive dollar demand.

GBPUSD has reversed its three-week declining trend and started the week on a strong footing. The pair opened at 1.3341 and witnessed consistent buying interest throughout the week, with bulls firmly in control. The pair ended the week higher at 1.3637, after touching a 4-month high of 1.3646. The price action indicates the formation of a cup and handle pattern, a bullish continuation structure, with the neckline now breached. The next trading session will be critical for confirmation; a sustained move higher could extend the uptrend toward the short-term resistance at 1.3788, followed by the 1.4000 psychological level if the breakout holds. Exporters are advised to remain vigilant and hedge gradually near resistance levels post confirmation. . Importers to stay put for now.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
0.75%	-0.6%	2.1%	2.6%	¥ 106B

Events to WATCH

Jan 27, 10:30
BoJ Core CPI (YoY)

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

Jan 30, 05:00
Industrial Production (MoM) (Dec)

Jan 30, 5:00
Unemployment Rate (Dec)

USDJPY began the week on a firm note, extending its advance as the Yen remained under pressure due to domestic uncertainties rather than broad US Dollar strength. Ongoing fiscal concerns, with Japan's trade balance at ¥105.7B, and political risks linked to the upcoming snap election, weighed on Yen sentiment. While US data came in stronger than expected, with GDP at 4.4% and Initial Jobless Claims at 200K, Dollar gains were limited as the Dollar Index fell 1.69% over the week to a five-month low near 97.45. Limited conviction around the timing of BoJ policy normalization allowed USDJPY to push higher, reaching a weekly high of 159.225. Sentiment shifted toward the end of the week after the Bank of Japan delivered a widely expected hold, keeping rates at 0.75%. Although Governor Ueda reiterated readiness to raise rates if economic and price conditions align, political uncertainty and fiscal concerns continued to cap sustained Yen recovery. The pair reversed earlier gains and closed the week lower at 155.74. Looking ahead, BoJ rate-hike expectations and intervention risks may offer some support to the Yen, though political and fiscal uncertainty is likely to limit any sharp appreciation.

USDJPY extended its downtrend for the second consecutive week despite opening on a positive note at 157.75. The pair briefly moved higher to a weekly high of 159.22, where it faced strong resistance, after which selling pressure dominated and dragged prices down to a four-week low of 155.60, slipping below the 25-day SMA. The pair ended the week well below the previous week's low, signaling continued bearish momentum. The formation of a bearish engulfing pattern reinforces the negative outlook, further supported by a bearish MACD crossover, with the MACD line trending lower toward the zero line. On the downside, immediate support is placed at 154.415, and a decisive break below this level could open the path toward the 100-day SMA at 153.49, which may act as the next key support and limit further declines.

Doing Nothing Is a Strategy Too—and It's the Most Expensive One

As someone who has navigated the foreign exchange (FX) market for over 2.5 decades, we've seen firsthand how businesses manage or mismanage their currency exposures. And let us tell you, the most common and often most expensive "strategy" isn't a strategy at all: **it's doing nothing**. In the dynamic world of FX, inaction is still a decision, and it comes with real, tangible financial consequences.

The Hidden Costs of Passivity: Why "Hoping for the Best" Fails

Many importers and exporters fall into the trap of passive FX management. This often means relying solely on their banks for conversions or simply accepting spot rates when transactions occur. But what does this cost you? A lot, as it turns out.

Margin Loss and Unpredictability: When you passively rely on your bank, you're often paying more than you should. Banks typically overcharge on FX rates, sometimes by as much as 2-3 paise, even when clients are trying to be vigilant. This might sound small, but it adds up quickly, especially with large transaction volumes. Imagine converting $1 million; even a 0.25% fee can be significant.

.The Power of Proactive FX Management: Outperforming the Competition

We've witnessed numerous companies transform their financial health by moving from a reactive to a proactive FX strategy. Companies that adopt structured FX strategies consistently outperform their peers in similar markets.

How do they do it?

Structured Hedging Policies: They implement clear risk management and hedging policies. Instead of guessing, they use benchmarks like the First Day Forward Rate (FDFR) to evaluate their hedging decisions objectively. This shifts the focus from hoping for a better rate to comparing potential hedge rates against a calculated, realistic initial market expectation.

Dynamic Decision-Making: They don't make a static choice for financing or hedging. They dynamically assess market conditions, interest rates, and currency volatility to choose the most cost-effective options between, for example, PCFC and PCINR

Leveraging Technology and Expertise: Successful companies use integrated Management Information Systems (MIS) to gain real-time visibility into their FX exposures, hedging positions, and financing costs.

They also leverage expert advisory services to develop tailored hedging policies and optimize their treasury processes. This allows them to make data-driven decisions, turning complex financial data into actionable insights.

Stop "Doing Nothing" and Start Acting

The message is simple: in the world of foreign exchange, "doing nothing" is a strategy, but it's the most expensive one you can choose. It leaves your business vulnerable to market volatility, eats into your profit margins, and limits your growth potential.

Conclusion

It's time to move from passive reaction to active planning. Embrace structured FX strategies, leverage technology, and seek expert guidance. By proactively managing your FX exposure, you can protect your profits, enhance your liquidity, and gain a significant competitive edge in the global marketplace. Don't let inaction be the costliest decision your business makes.

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

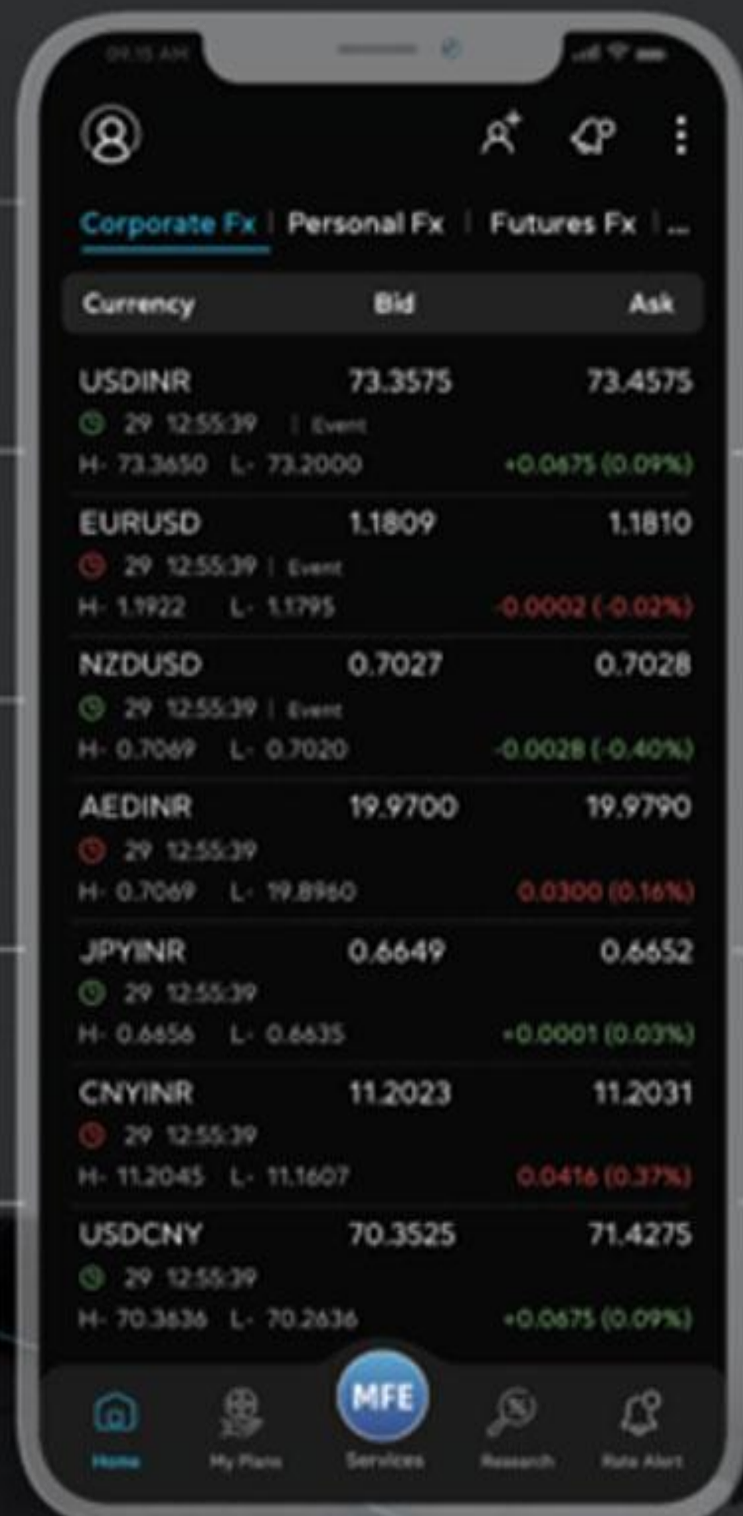
Set Rate alert for different types of transactions and know when the target rate has traded for the first time in forex market.

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.



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