



FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

25 January 2022

From CEO's Desk



Mr. Abhishek Goenka

US equities staged a phenomenal recovery in the final few minutes of trade. The Dow and the S&P were down more than 3% at one point but both eventually ended in the green (up 0.3% at close). The risk sentiment had been soured by news that US and UK were withdrawing some non-essential staff and families from their embassies in Ukraine fearing military invasion by Russia. NATO is also keeping troops on standby and strengthening its presence in Eastern Europe. In line with the recovery in equities, the US yields bounced back and the Dollar gave up gains. The yield on 10y US treasuries had dropped to 1.71% but is now back to 1.76%. Commodity currencies had got hammered on deterioration in risk sentiment but have now recovered. The Australian Dollar is 40 pips off lows. Crude has come off highs with Brent trading close to USD 87 per barrel. Gold continues to remain elevated amid geopolitical tensions. The Nifty fell for the fifth straight session yesterday and is down 6.5% from its recent highs. The Nifty lost 2.7% yesterday to end at 17149. The Midcap index fell 3.9%. We are seeing some risk being pared ahead of major risk events in FOMC and the Budget. The volatility index spiked to the highest level since May'21. Yields on domestic bonds rose 2-3bps across the curve.

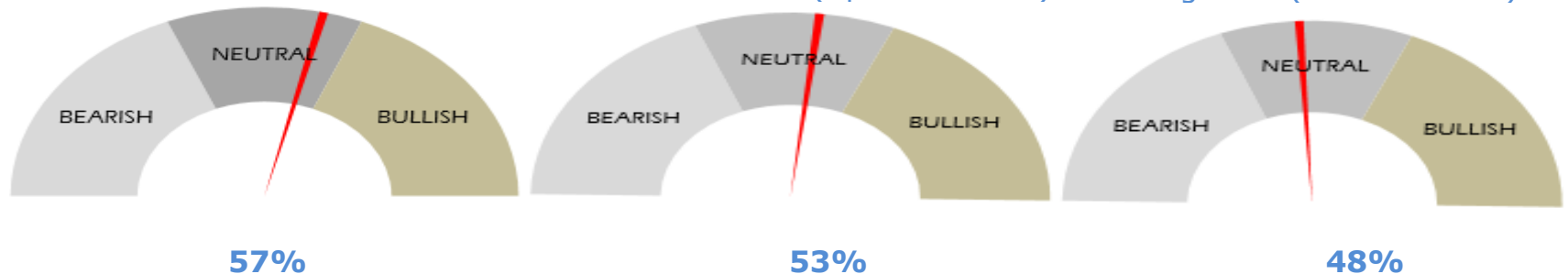
Strategy: Exporters are advised to cover on upticks towards 74.80 levels. Importers are advised to cover on dips towards 73.80 - 73.90 level. The 3M range for USDINR is 73.80 - 76.00 and the 6M range is 73.50 - 76.50.

IFA GLOBAL USDINR QUANT SENTIMENT INDEX

Intraday

Medium term (Upto 3 Months)

Long term (3 to 6 Months)



Note: The above outlook is based on IFA Global Research Academy Proprietary ("IFA Dollar - Rupee Sentiment Index") based on various techno-fundamental factors relevant to the particular outlook horizon. The index weights have been arrived at after rigorous back testing. The factors which are considered for computation of barometers includes pre-defined and back tested weightage given to fundamental factors such as economic data, FII flows, Global equity markets, Government & RBI activity, Onshore-offshore activity, other peer currency performance and other macro economic factors. Further, this module also considers factors such as major MPC member's speech, meeting or summit. On the technical front, factors include indicators and oscillators such as RSI, stochastic, combination of moving averages and other basic & advance technical studies. (0 - 20%=extremely bearish, 21% - 40%=bearish, 41% - 60%=neutral, 61% - 80%=bullish, 81% - 100% extremely bullish)

News On The Street

“ Fed meeting, potential Ukraine conflict loom large as Wall Street slides

- Japan's inflation driven by energy, commodity costs, says PM Kishida
- U.S business activity slows in Jan amid Omicron-IHS Markit survey
- Eurozone recovery stumbled in Jan as Omicron hit services -PMI
- UK businesses suffer January chills as cost pressures rage: PMI
- Oil prices rise on supply disruption jitters as geopolitical tensions grow

”

FX Outlook for the day

● USDINR (RANGE : 74.50 - 74.80)



Spot Rate: 74.57

The Indian rupee weakened yesterday on continuing weakness in domestic equities. The Rupee printed a low of 74.69 but recovered to end the session at 74.57. The risk sentiment had been soured by news that US and UK were withdrawing some non-essential staff and families from their embassies in Ukraine fearing military invasion by Russia. NATO is also keeping troops on standby and strengthening its presence in Eastern Europe. The USDINR pair opened at 74.57 and is expected to trade with a sideways bias.



● EURUSD (RANGE: 1.1270 - 1.1350)



Spot Rate: 1.1313

The EURUSD held up despite the market's risk-off tone, with the pair finding dip-buying interest when it hit near the 1.1300 level. The euro's defensive qualities as a funding currency seemed to win through, but FX strategists have warned that the Eurozone is vulnerable to a NATO/Ukraine/Russia conflict if it results in further sharp upside in European gas prices. Mixed Eurozone PMI data out, where manufacturing held up much better than forecast but services were weak, hardly had an impact on the euro.



● GBPUSD (RANGE: 1.3440 - 1.3520)



Spot Rate: 1.3476

The British pound plunges, trading at 1.3450 levels, as the Russian-Ukraine crisis escalates, alongside the Fed monetary policy meeting, which the US central bank could use to set the guidelines regarding tightening policy conditions. The UK's PMI for January came worse than expected. The Manufacturing PMI came at 56.9 vs. 57.6 expected, while the Services index was at 53.3 vs. 54.0 expected. Brexit jitters about the North Ireland protocol and article 16 would further pressure the weakened British pound.



● USDJPY (RANGE: 113.40 - 115.00)



Spot Rate: 113.73

The risk-off market mood spurred by increasing tensions in Eastern Europe and the Fed monetary policy meeting keeping investors uneasy on mounting expectations that the US central bank would be aggressive tightening its policy conditions amid rising inflation. JP Morgan closed all its remaining long positions in the Russian rouble, warning the military build-up near Ukraine meant geopolitical uncertainty was now prohibitively high. The US 10-year Treasury yield moving lower, also weighed on the USDJPY pair.



IFA Outlook

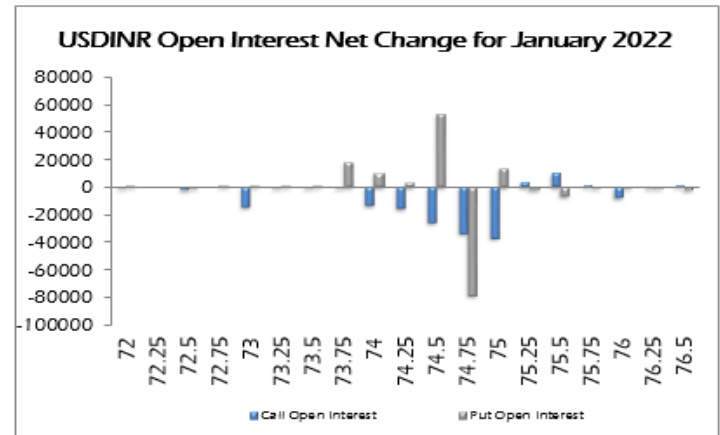
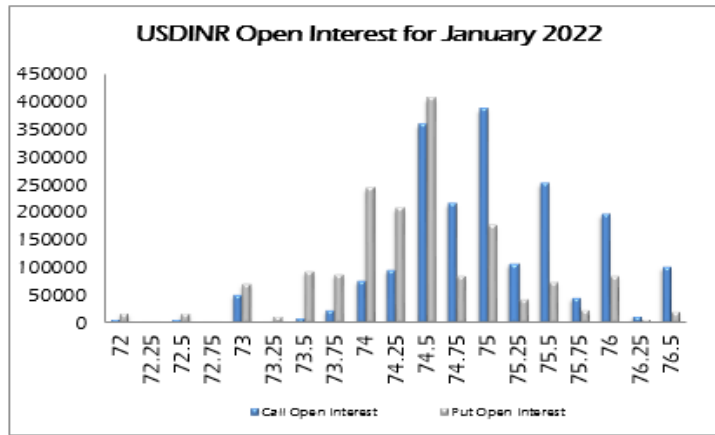
Focus to be on the Fed interest rate decision and US GDP data

	Q4 FY 2021-22	Q1 FY 2022-23	Q2 FY 2022-23	Q3 FY 2022-23
USDINR	73.00 - 76.00 ↑	73.50 - 76.50 ↔	73.30 - 76.70 ↑	74.00 - 77.00 ↑
\$ INDEX	94.00 - 97.50 ↑	93.50 - 97.50 ↑	93.70 - 98.00 ↑	94.00 - 98.50 ↑
EURUSD	1.1300 - 1.1450 ↑	1.1250 - 1.1500 ↓	1.1050-1.1650 ↔	1.0950 - 1.1600 ↓
GBPUSD	1.3400 - 1.3700 ↑	1.3300 - 1.3600 ↑	1.3400 - 1.3700 ↔	1.3500 - 1.3800 ↑
USDJPY	113.00 - 115.50 ↑	114.50 - 116.50 ↑	114.70 - 116.70 ↓	114.90-117.00 ↑
AUDUSD	0.6850 - 0.7450 ↓	0.7200 - 0.7600 ↑	0.7300- 0.7700 ↔	0.7100 - 0.7750 ↓
GOLD	\$1550- \$1950 ↓	\$1600- \$2100 ↔	\$1700- \$2150 ↔	\$1600- \$2000 ↓

Activity Kurtosis

• USDINR Open Interest (January expiry)

“ Highest OI for Call is at 75.00 and Put is at 74.50. Highest OI intraday Call unwinding is at 75.00 and Put unwinding is at 74.75. ”



• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$1.84 billion in the financial year 2021-22 ”

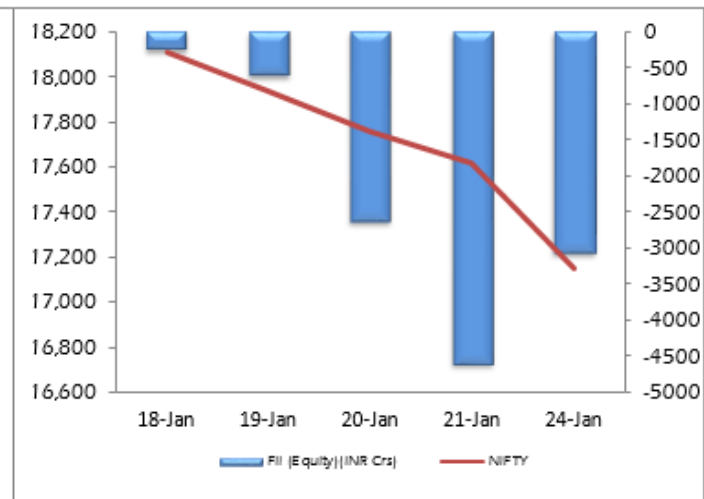
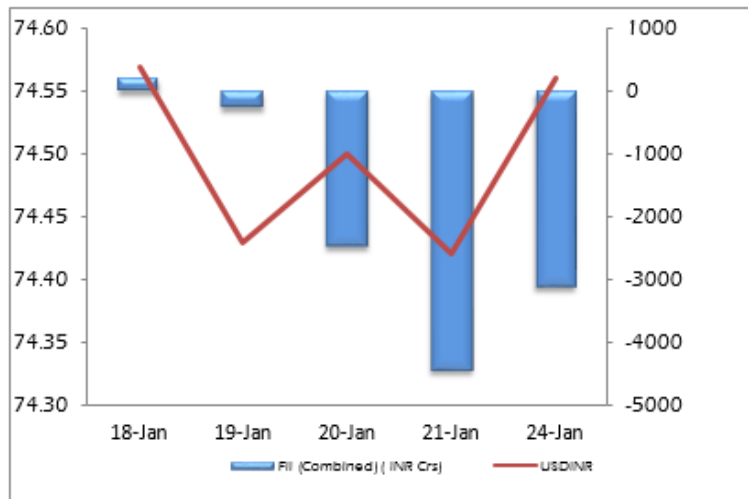


Chart of the Day

“ The USDINR NSE Jan futures opened at 74.65 today. The USDINR spot in OTC market opened at 74.57 levels. Immediate resistance to be around 74.66 which is also the supertrend level. On the flipside, the immediate support will be at the 73.85 which is also the lower bollinger band. All technical factors suggest mixed price action for the day. ”

USDINR: 74.57



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.11	0.45	0.79
EUR	-0.65	-0.62	-0.56	-0.49
JPY	0.04	-0.06	0.03	0.05

Rolling Forward Premiums (in Rupees)

MONTH	1M	3M	1Y	2Y
USDINR	0.24	0.88	3.48	7.01
EURINR	0.33	1.18	5.08	10.70
GBPINR	0.31	1.14	4.47	9.27
JPYINR	0.23	0.84	3.71	8.11

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	24313	-1.39
	SHANGHAI	3485	-1.12
	NIKKEI	27120	-1.70
INDIA	SENSEX	56682	-1.41
	NIFTY	16904	-1.43
EUROPE	CAC	6788	-3.97
	DAX	15011	-3.80
	FTSE	7297	-2.63
US	DOW	34365	0.29
	NASDAQ	13855	0.63

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1841.66	-1.64	-0.09
SILVER (\$/ounce)	23.80	-0.13	-0.53
WTI Crude (\$/brl)	83.80	0.49	0.59
Dollar INDEX	95.97	0.05	0.05
Bloomberg ADXY	108.14	-0.05	-0.05

FPI INFLOWS	FY 2021-22	CY 2022	24-Jan-22
EQUITY	-41,857	-11,866	-3,075
DEBT	24,680	2,027	-52
HYBRID	3,469	1,709	-6
TOTAL	-13,708	-8,130	-3,134

Figures are in INR Crores

Pivot Points

GBPINR pair is likely to take immediate support at 100.20 (S2)

Pivot	S2	S1	P	R1	R2
USDINR	73.87	74.14	74.42	74.69	74.97
EURINR	83.72	84.08	84.54	84.90	85.36
GBPINR	100.20	100.56	101.18	101.54	102.16
JPYINR	64.14	64.81	65.19	65.85	66.23

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
24-Jan	EUR	2:00 PM	German Manufacturing PMI (Jan)	60.50	57.00	57.40	Bullish
	EUR	2:30 PM	Markit Composite PMI (Jan)	52.40	52.60	53.30	Bearish
	GBP	2:30 PM	Manufacturing PMI	56.90	57.70	57.90	Bearish
	USD	8:15 PM	Manufacturing PMI (Jan)	55.00	56.70	57.70	Bearish
	USD	8:15 PM	Services PMI (Jan)	50.90	55.00	57.60	Bearish
25-Jan	EUR	2:30 PM	German Ifo Business Climate Index(Jan)		94.70	94.70	
	EUR	2:30 PM	German Business Expectations (Jan)		93.00	92.60	
	USD	8:30 PM	CB Consumer Confidence (Jan)		111.80	115.80	

Headquarters:-
India Forex Advisors Pvt. Ltd.
H-125, 1st Floor, Kanakia Zillion,
LBS Marg, CST Road Junction,
Bandra Kurla Complex Annexe, Mumbai-400070
Contact No. +91 8879390076

For further Information,
Contact:
Advisory Desk: Mr.Anurag Murarka at +91 8879008151
Sales Enquiry: Ms.Radhika Nathani at +91 9769816454
Or you can mail us on: info@ifaglobal.net
You can also visit our website: www.ifaglobal.net
Blog: <https://www.ifaglobal.net/blogs>

IMPORTANT NOTICE AND DISCLAIMER

While every effort has been made to ensure that the data quoted and used for the research behind this document is reliable, there is no guarantee that it is correct, and IFA Global can accept no liability whatsoever in respect of any errors or omissions, or regarding the accuracy, completeness or reliability of the information contained herein. This document does not constitute a recommendation to sell and/or buy any financial products and is not to be considered as a solicitation and/or an offer to enter into any transaction. This document is a piece of economic research and is not intended to constitute investment advice, nor to solicit dealing in securities or in any other kind of investments. Although every investment involves some degree of risk, the risk of loss trading off-exchange forex contracts can be substantial. Therefore if you are considering trading in this market, you should be aware of the risks associated with this product so you can make an informed decision prior to investing. The material presented here is not to be construed as trading advice or strategy. IFA Global makes a strong effort to use reliable, expansive information, but we make no representation that it is accurate or complete. In addition, we have no obligation to notify you when opinions or data in this material change. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments.