



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

16 October 2020

## From CEO's Desk



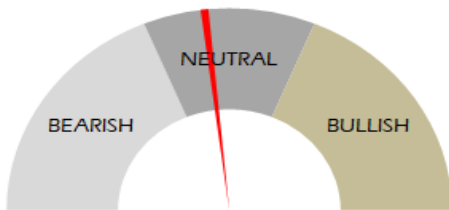
Mr. Abhishek Goenka

Wave of risk aversion gripped global markets primarily on account of stricter measures being enforced by governments in Europe to tame the second wave of surge in Corona cases. President Trump blamed the Democrats for not accepting the USD 1.8tn proposed stimulus package. The government said it would borrow Rs 1.1 lakh crs and extend it as loans to state governments in lieu of GST shortfall. The borrowing would not increase the central government fiscal deficit and would also not result in an increase in combined centre and state government issuance for this fiscal. Nifty snapped its 10 day winning streak, falling 2.4% on account of a sell off in IT stocks and bank stocks. USD/INR yet again got supported around 73.25 on account of buying by nationalized banks. The Rupee continues to trade a tight 73.20-73.50 range. India Sept trade deficit came in at USD 2.72bn against USD 6.77bn in Aug and USD 11.67bn in Sep 2019. The trade deficit narrowed on account of a 5.99% yoy pick up in exports to USD 27.58bn. Forwards have been under pressure off late. The Central bank has been conspicuously absent from the paying side. Abundant Rupee liquidity and lower money market rates could continue to weigh on forwards. FPIs have invested close to USD 1.1bn in equities so far in October. And have pulled out about USD 100mn from debt in October so far.

**Strategy:** Exporters have been advised to cover confirmed order on upticks. Importers are advised to cover through options. The 3M range for USD/INR is 72.50 – 74.50 and the 6M range is 72.50 – 75.40.

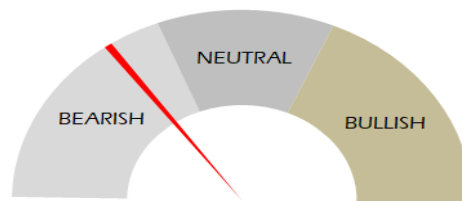
## IFA Dollar- Rupee Sentiment Index

### Intraday



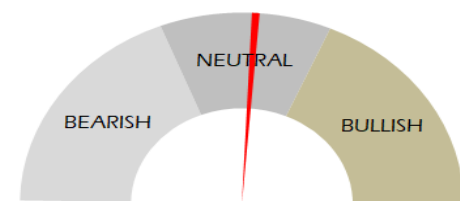
46%

### Medium term (Upto 3 Months)



30%

### Long term (3 to 6 Months)



51%

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

“ Centre to borrow Rs 1.1 lakh crs and extend it as loans to states

- India's 2nd round of stimulus to have limited impact on growth: Moody's
- Pandemic response will drive up global public debt to a record: IMF
- Macron says EU ready for no-deal if UK refuses to budge
- India's exports rise 6% to \$27.58 bn in Sept, imports decline 19.6%
- IMF data shows pandemic will push China GDP growth well beyond US

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### FX Outlook for the day

● **USDINR (RANGE- 73.20 - 73.50)**



USDINR pair yet again got supported around 73.25 on account of buying by nationalized banks. The pair opened a tad higher today at 73.42 level and will continue to trade a tight 73.20-73.50 range. Forwards have been under pressure off late. The 1y forward yield has dropped to 4.10% from recent highs around 4.35%. The Central bank has been conspicuously absent from the paying side.



● **EURUSD (RANGE- 1.1650 - 1.1750)**



The Euro broke down significantly during the trading session on Thursday, reaching towards the 1.17 level. ECB chief said they are prepared to impose further emergency measures to tackle the economic fallout from the crisis, with the region confronting a rapid upsurge of cases. France declared a public health state of emergency, with Germany and the U.K. also announcing new measures.



● **GBPUSD (RANGE- 1.2840 - 1.2960)**



Pound was the most volatile major currency, erasing all its intraday gains and is back to 1.2900 level. Top EU leaders are willing to continue negotiations with the UK on a trade agreement but have said it is the UK that would have accept EU's conditions. PM Johnson is likely to respond and outline the way forward today. Brexit headlines will continue to dominate the price action.



● **USDJPY (RANGE- 104.90 - 105.80)**



From last three weeks, USDJPY pair has been rangebound in 105 - 106.00. Currently, it is trading around lower end of the given range. The slump followed a similar behavior in US stock markets, triggered by news indicating that a possible US coronavirus aid package wouldn't be likely before the presidential election. Focus today will be on US retail sales and industrial production data.



### IFA Outlook

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Presidential debate and Brexit headlines are the key events for this month

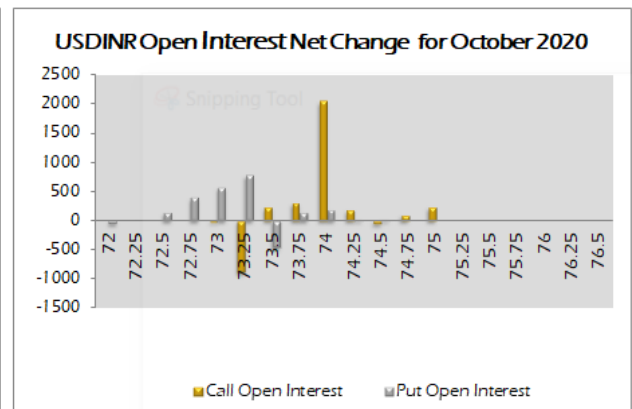
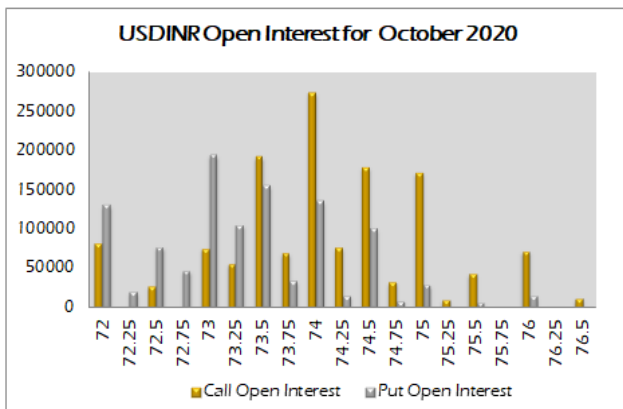
	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22	Q2 FY 2021-22
USDINR	72.50-74.50 ↓	72.50-75.50 ↓	73.00 - 77.00 ↔	73.00-76.00 ↔
\$ INDEX	91.50- 95.00 ↓	92.00- 96.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.1550-1.1950 ↔	1.1700-1.2200 ↑	1.2000-1.2400 ↑	1.2000-1.2400 ↑
GBPUSD	1.2600-1.3200 ↔	1.2800-1.3400 ↑	1.3300-1.3800 ↑	1.3300-1.3800 ↑
USDJPY	104.00-108.00 ↓	104.00-108.00 ↓	106.00-111.00 ↔	107.00-112.00 ↔
AUDUSD	0.7000-0.74.50 ↑	0.7100- 0.7500 ↑	0.7200- 0.7600 ↔	0.7200- 0.7600 ↔
GOLD	\$1800- \$2000 ↑	\$1800- \$2100 ↑	\$1700- \$2200 ↑	\$1700- \$2200 ↑

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### Activity Kurtosis

#### • USDINR Open Interest (October expiry)

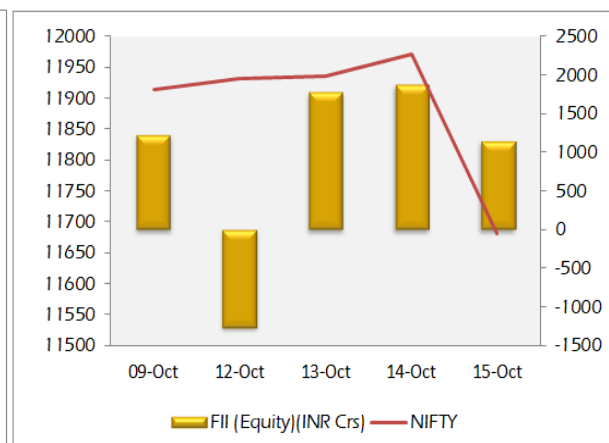
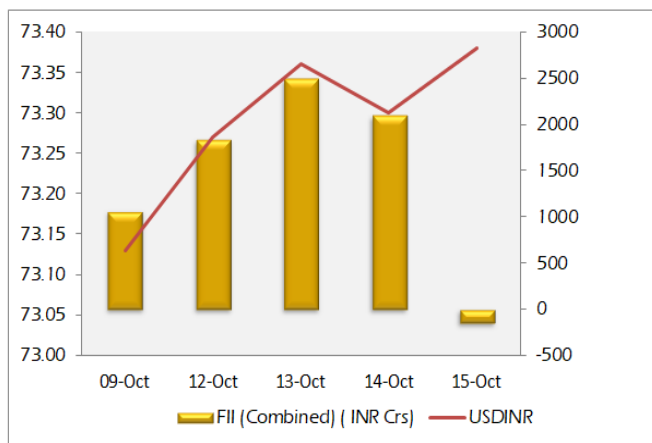
“ Highest OI for Call is at 74.00 and for Put is at 73.00. Highest OI intraday buildup is seen at 74.00 for Call



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#### • FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$6.16 billion in the calendar year 2020



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### Chart of the Day

USDINR: 73.40

“ From last two weeks, USDINR pair has been rangebound in 73.00 - 73.60. Daily middle bollinger band level around 73.50 has been limiting the upside. On the flipside, 73.00 level to act as immediate support. Major technical factors suggest a mixed view for intraday.



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## Major Global Rates

## LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.15	0.25	0.35
EUR	-0.58	-0.56	-0.51	-0.46
JPY	0.04	-0.09	-0.06	0.04

## Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.18	0.66	3.01	6.88
EURINR	0.27	0.96	4.26	9.68
GBPINR	0.25	0.91	4.07	9.29
JPYINR	0.20	0.72	3.24	7.45

## Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	24339	0.75
	SHANGHAI	3323	-0.28
	NIKKEI	23446	-0.26
INDIA	SENSEX	39986	0.65
	NIFTY	11758	0.66
US	CAC	4837	-2.11
	DAX	12704	-2.49
	FTSE	5833	-1.73
	DOW	28494	-0.07
	NASDAQ	11899	-0.72

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1909.00	0.60	0.03
SILVER (\$/ounce)	24.37	0.15	0.6
Brent (\$/brl)	42.75	-0.41	-0.95
Dollar INDEX	93.82	-0.04	-0.04
Bloomberg ADXY	106.20	-0.04	-0.04

FPI INFLOWS	FY 2020-21	CY 2020	15-Oct-20
EQUITY	85,158	37,129	1,149
DEBT	-30,048	-92,643	-1,292
HYBRID	7,989	10,340	-5
TOTAL	63,099	-45,174	-148

Figures are in INR Crores

## Pivot Points

	Pivot	S2	S1	P	R1	R2
USDINR	72.51	72.90	73.41	73.80	74.31	
EURINR	84.84	85.34	86.03	86.53	87.22	
GBPINR	93.17	93.99	94.61	95.43	96.05	
JPYINR	68.74	69.15	69.63	70.04	70.52	

“ EURINR is likely to find immediate support at S1 level (85.34) ”

## Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
15-Oct	CNY	7:00 AM	CPI (YoY) (Sep)	<b>1.7%</b>	1.8%	2.4%	<b>Bearish</b>
	INR	5:50 PM	Trade Balance	<b>-2.72B</b>	-3.30B	-6.77B	<b>Bullish</b>
	USD	6:00 PM	Initial Jobless Claims	<b>898K</b>	825K	840K	<b>Bearish</b>
	USD	6:00 PM	Philadelphia Fed Manufacturing Index (Oct)	<b>32.3</b>	14.0	15.0	<b>Bullish</b>
16-Oct	EUR	2:30 PM	CPI (YoY) (Sep)		-0.3%	-0.3%	
	USD	6:00 PM	Retail Sales (MoM) (Sep)		0.7%	0.6%	
	USD	6:45 PM	Industrial Production (MoM) (Sep)		0.5%	0.4%	

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