



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

22 October 2020

## From CEO's Desk



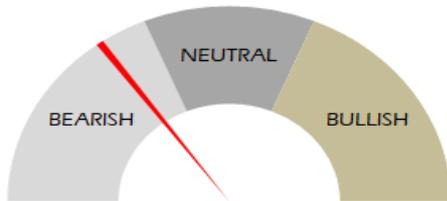
Mr. Abhishek Goenka

The Sterling has rallied on comments from EU side Chief negotiator Barnier that a deal with UK is within reach. UK and EU are expected to restart negotiations and make an attempt to seal the deal by mid November. US stocks were flat. US treasuries recovered post yesterday's sell-off with 10y yield back to 0.80%. With every passing day, as we approach closer to the election, a fiscal stimulus deal is becoming more and more unlikely. Even if the Democrats and the White House do manage to reach an agreement, the bill would have to be drafted and voted on by both the House and the Senate which looks difficult as we head closer to the election day. Focus will be on the 2nd US presidential debate between Biden and President Trump. Rupee has weakened to 11.15 against the Yuan and one could fit the narrative of the government trying to build pressure on China by dis-incentivizing Indian firms from importing Chinese goods. Keeping Rupee weak in trade weighted terms makes exports more competitive too. 3m T-bill cut off came in at 3.19% lowest in recent times. Abundant banking system liquidity is continuing to weigh short end rates. Overnight MIBOR fixing too was much lower than usual at 3.50%. Focus will be on the first ever SDL OMO today. The RBI has also released operational guidelines pertaining to the 1 lakh cr on tap repo linked TLTRO. USDINR is likely to trade 73.50-73.85 with up side bias.

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

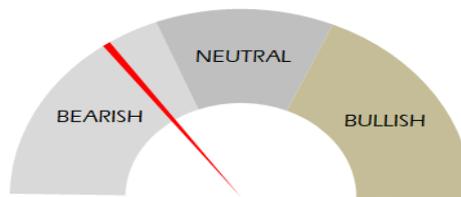
## IFA Dollar- Rupee Sentiment Index

### Intraday



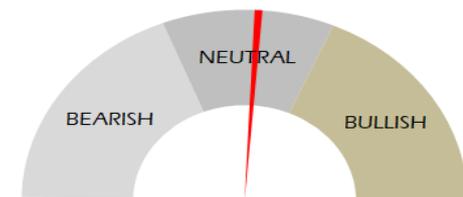
30%

### 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

“

IMF slashes Asia's growth forecast to -2.2%

”

- RBI to release on-tap TLTRO funds every Monday, scheme to run till Mar 31
- Oil prices decline with OPEC warning of precarious market outlook
- Banks, NBFCs must raise capital, do stress tests: RBI Guv
- Modi to meet 15 global funds as India seeks investment to lift economy
- UK and EU to resume talks in final push for post-Brexit trade deal

### FX Outlook for the day

● USDINR (RANGE- 73.50 - 73.85)



USDINR pair opened sharply higher today at 73.76 level compared to previous close of 73.58. Despite strengthening Asian currencies and a weaker dollar, Rupee has weakened as a result of persistent intervention by the RBI. It has managed to break out of one week consolidation range of 73.30-73.50. By keeping Rupee weak in trade weighted terms exports will become more competitive.



● EURUSD (RANGE- 1.1800 - 1.1900)



The EURUSD pair is holding onto its week's gains around 1.1850 level. This week saw Lagarde appear dovish, saying that new Covid-19 restrictions would further heighten economic uncertainty for the Eurozone. The macro-economic calendar remains scarce. The second wave of the epidemic in Europe and the new restrictive measures to hamper the recovery.



● GBPUSD (RANGE- 1.3100 - 1.3200)



The GBPUSD pair rose sharply on Bloomberg reports that the EU and UK are set to restart stalled post-Brexit trade negotiations, leading markets to believe with greater conviction a deal can be agreed in coming weeks. Comments from EU side Chief negotiator Barnier that a deal with UK is within reach lifted the pound to a six week high at 1.3178, before erasing some of its gains.



● USDJPY (RANGE- 104.20 - 105.00)



The USDJPY pair broke one month consolidation range of 105.00 - 105.80 on the lower side and reached a low of 104.33. The pair has lost nearly 1% as the USD continues to show weakness across the board. With every passing day, as we approach closer to the election, a fiscal stimulus deal is becoming more and more unlikely. Focus will be on the 2nd US presidential debate between Biden and President Trump.



### IFA Outlook

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

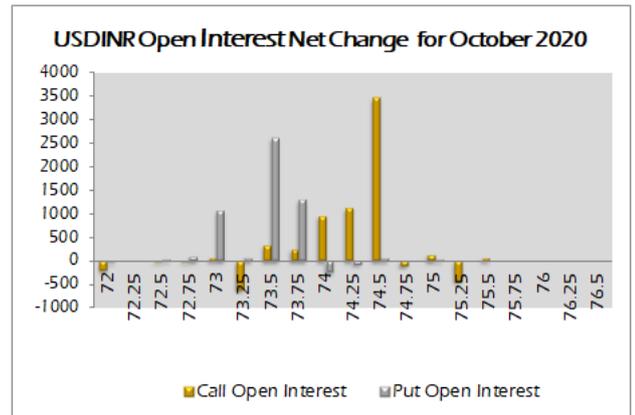
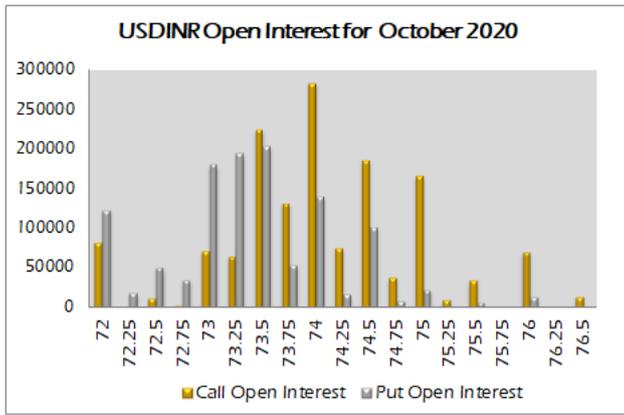
	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22	Q2 FY 2021-22
USDINR	72.50-74.50 ↓	72.50-75.50 ↓	73.00 - 77.00 ↔	73.00-76.00 ↔
\$ INDEX	91.50- 95.00 ↓	92.00- 96.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.1550-1.1950 ↔	1.1700-1.2200 ↑	1.2000-1.2400 ↑	1.2000-1.2400 ↑
GBPUSD	1.2600-1.3200 ↔	1.2800-1.3400 ↑	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 ↑

”

### Activity Kurtosis

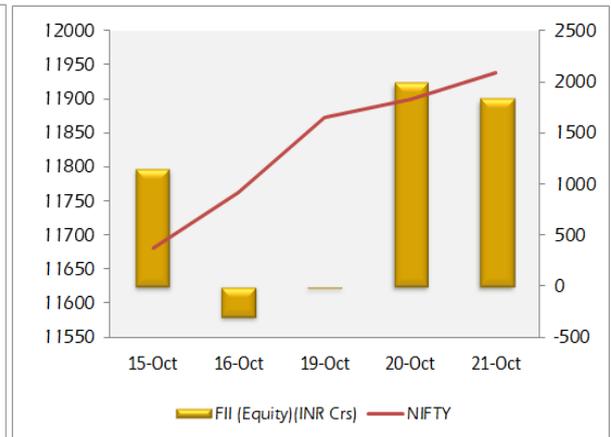
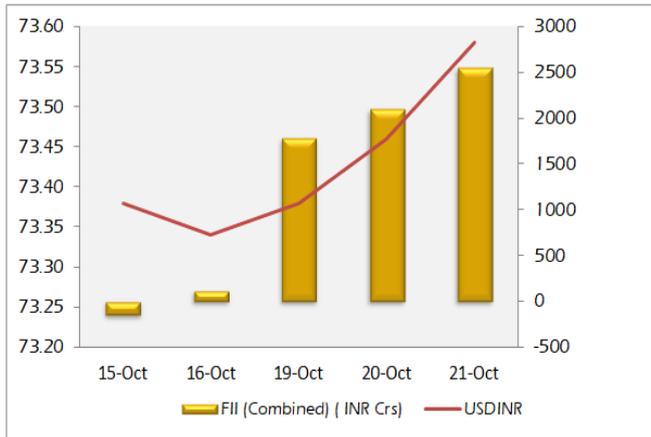
#### • USDINR Open Interest (October expiry)

“ Highest OI for Call is at 74.00 and for Put is at 73.50. Highest OI intraday buildup is seen at 73.50 for Put and 74.50 for Call ”



#### • FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$5.25 billion in the calendar year 2020 ”



### Chart of the Day

USDINR: 73.76

“ USDINR pair gave a gap up opening today at 73.76. Falling trendline resistance in 73.80 - 73.85 range likely to act as a hurdle for intraday. Daily middle bollinger band level around 73.50 now to provide immediate support. Major technical factors suggest a mixed view for intraday. ”



## Major Global Rates

## LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.15	0.25	0.33
EUR	-0.58	-0.56	-0.51	-0.46
JPY	0.04	-0.08	-0.06	0.05

## Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.18	0.67	3.06	6.71
EURINR	0.28	0.98	4.37	9.59
GBPINR	0.26	0.94	4.21	9.20
JPYINR	0.20	0.74	3.30	7.32

## Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	24699	-0.22
	SHANGHAI	3297	-0.83
	NIKKEI	23441	-0.84
INDIA	SENSEX	40634	-0.18
	NIFTY	11900	-0.32
US	CAC	4854	-1.53
	DAX	12558	-1.41
	FTSE	5777	-1.91
	DOW	28211	-0.35
	NASDAQ	11665	-0.11

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1916.00	-13.00	-0.68
SILVER (\$/ounce)	24.88	-0.36	-1.41
Brent (\$/brl)	41.56	-0.17	-0.41
Dollar INDEX	92.80	0.18	0.20
Bloomberg ADXY	106.73	-0.17	-0.16

FPI INFLOWS	FY 2020-21	CY 2020	21-Oct-20
EQUITY	88,679	40,649	1,831
DEBT	-26,936	-89,531	732
HYBRID	7,916	10,266	-11
TOTAL	69,659	-38,616	2,552

Figures are in INR Crores

## Pivot Points

“ USDINR is likely to find immediate resistance at R2 level (73.83) ”

Pivot	S2	S1	P	R1	R2
USDINR	72.83	73.13	73.33	73.63	73.83
EURINR	85.23	85.64	86.18	86.59	87.13
GBPINR	93.36	94.09	95.04	95.77	96.72
JPYINR	68.81	69.24	69.54	69.97	70.27

## Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
21-Oct	GBP	11:30 AM	CPI (YoY) (Sep)	<b>0.5%</b>	0.5%	0.2%	<b>Neutral</b>
	GBP	11:30 AM	PPI Input (MoM) (Sep)	<b>1.1%</b>	-0.4%	-0.4%	<b>Bullish</b>
22-Oct	USD	6:00 PM	Initial Jobless Claims		860K	898K	
	USD	6:00 PM	Existing Home Sales (MoM) (Sep)		5.0%	2.4%	

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