



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

28 October 2020

## From CEO's Desk



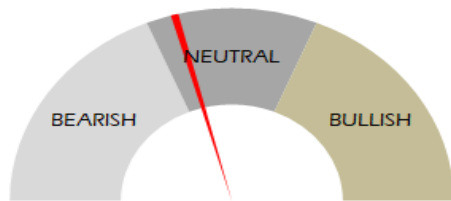
Mr. Abhishek Goenka

US Sep Durable goods data beat expectations. The overall mood however seems to be that of caution. US Supreme Court saying that states and districts would not have discretion over extending deadlines for receipt of mail in ballots works in favor of president Trump as Democrat voter base is more likely to vote through mail in ballots. Also appointment of Conservative nominee Amy Coney Barrett to the bench of Supreme Court makes the bench Conservative leaning and which is believed to likely favour Trump in the case of a contested election. US treasuries saw some safe haven bid. MSCI's decision to tweak the Foreign Ownership Factor for Indian equities, taking into account the government's decision to increase the cap on FPI investment in Indian equities to respective sectoral FDI caps would push India's weight in the MSCI EM index to 8.8% from 8.1% currently. This is likely to result in inflows to the tune of USD 4bn into Indian equities. The Rupee strengthened on this news. Month end exporter selling and F&O expiry related selling at fix also limited up side in USDINR. Today too we are likely to see range bound price action in USDINR. We expect an intraday range of 73.65-74.05. The rally in Gsecs has been accompanied by compression in SDL spreads and corporate bond spreads. Equities may continue to see some positive traction, building on gains from yesterday.

**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.

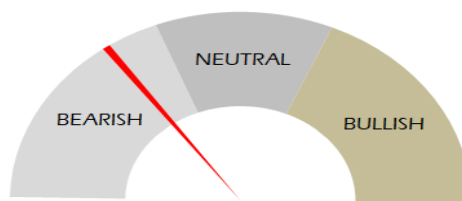
## IFA Dollar- Rupee Sentiment Index

### Intraday



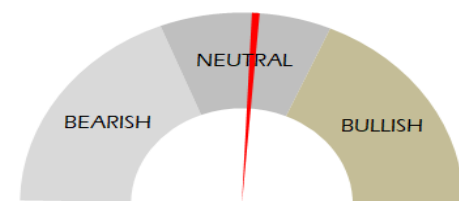
42%

### 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

“ Europe imposes fresh restrictions as second wave accelerates

”

- U.S. warns of threat posed by China, signs military pact with India
- China reports most new COVID-19 cases in more than two months
- India's weighting in MSCI EM index set for major boost
- RBI asks lenders to implement waiver of Interest on Interest Scheme by Nov. 5
- Global FDI flows fell 49% in first half of 2020 due to Covid-19: UNCTAD

### FX Outlook for the day

● USDINR (RANGE- 73.65 - 74.05)



The Indian Rupee made a lull opening today at 73.69 level compared to previous close of 73.71. Domestic Markets could remain upbeat today after MSCI tweaked the Foreign Ownership Factor for Indian equities pushing India's weight in the MSCI EM index. Month end exporter selling and FII flows to limit the upside in USDINR. Today too we are likely to see range bound price action.



● EURUSD (RANGE- 1.1740 - 1.1830)



The EURUSD pair breached one week consolidation range of 1.1800 - 1.1870 on the lower side, currently hovering around daily middle bollinger band level at 1.1770. Increasing lockdowns and curfews across Europe to tackle the Covid-19 pandemic are dragging down confidence in the bloc's economic recovery. Global risk sentiment and pandemic situation in Eurozone to drive the price action.



● GBPUSD (RANGE- 1.3000 - 1.3090)



Yesterday, the Pound traded in a range bound manner and thereafter surged towards the higher levels of 1.3074 which invited profit selling pushing the currency lower again. EU-UK Brexit negotiators are expected to conclude their meeting today. There are fresh reports of progress being made in numerous areas. Technically, 1.3000 psychological mark will continue to provide major support.



● USDJPY (RANGE- 103.90 - 104.70)



The USDJPY pair extended the bearish momentum owing to rising risk averse sentiment in the markets. Currently, the pair is trading at 1 month low 104.30. US-China trade tensions, resurgence in coronavirus cases, geo-political tensions along with the upcoming US President Elections has kept investors on an edge. Markets are expecting no change in tomorrow's BOJ Policy meeting.



### IFA Outlook

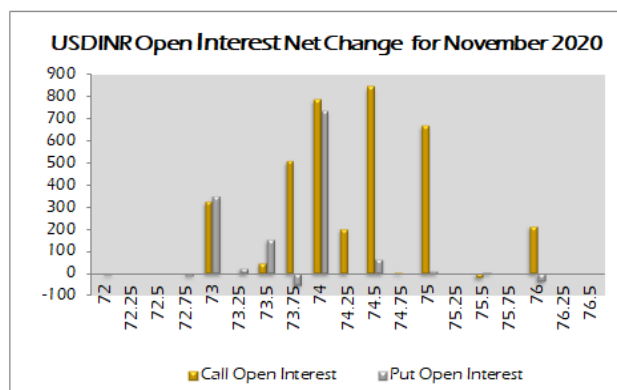
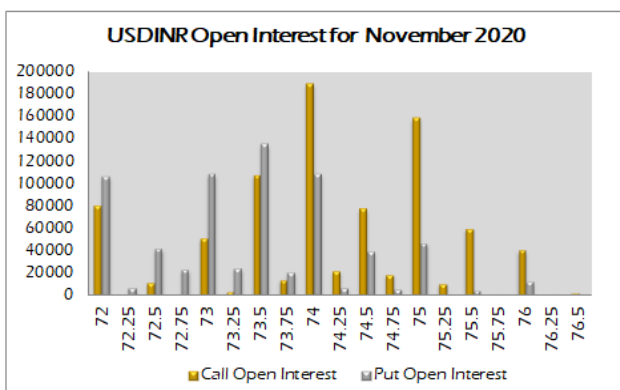
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US Elections polls and BoJ & ECB meeting are the key events for the week

	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

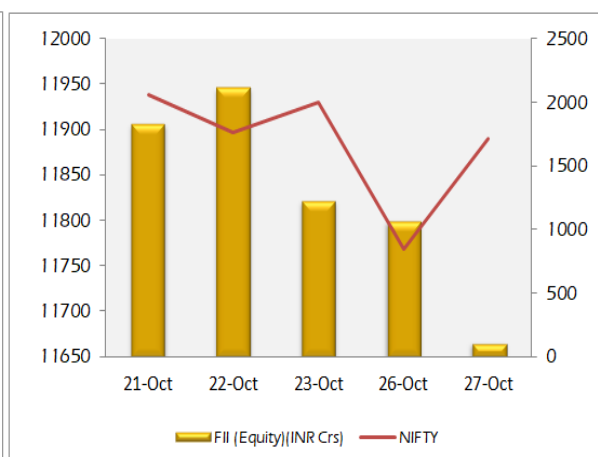
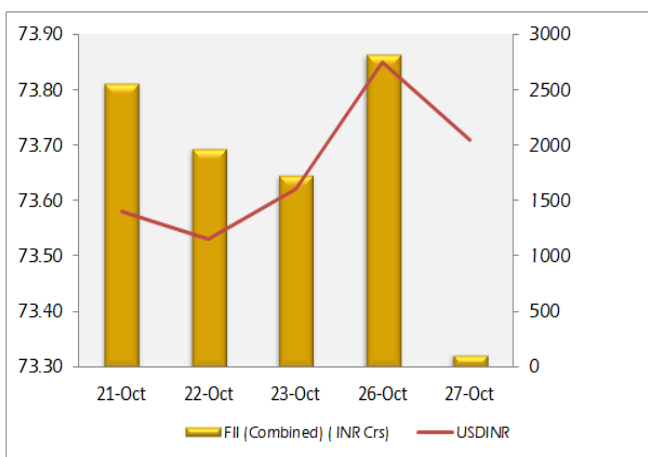
#### • USDINR Open Interest (November expiry)



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

”

#### • FII activity against USDINR and Nifty



“ FIIs have so far withdrawn \$4.34 billion in the calendar year 2020

”

### Chart of the Day

USDINR: 73.70



“ USDINR pair opened flat today at 73.69. The pair has breached daily trendline resistance level. Immediate resistance now stands at 74.00 (daily super-trend level). On the flipside, daily middle Bollinger band level at 73.50 to provide immediate support. The intraday view for the pair remains mixed.

”

## Major Global Rates

## LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.14	0.25	0.33
EUR	-0.58	-0.57	-0.51	-0.46
JPY	0.04	-0.08	-0.07	0.05

## Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.41	0.83	3.21	6.71
EURINR	0.54	1.17	4.53	9.58
GBPINR	0.55	1.14	4.39	9.19
JPYINR	0.41	0.89	3.47	7.35

## Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	24718	-0.28
	SHANGHAI	3260	0.16
	NIKKEI	23432	-0.23
INDIA	SENSEX	40516	-0.02
	NIFTY	11888	-0.01
US	CAC	4731	-1.77
	DAX	12064	-0.93
	FTSE	5729	-1.09
	DOW	27463	-0.80
	NASDAQ	11431	0.64

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1908.00	-3.00	-0.16
SILVER (\$/ounce)	24.43	-0.13	-0.54
Brent (\$/brl)	40.83	-0.78	-1.87
Dollar INDEX	93.12	0.18	0.19
Bloomberg ADXY	106.56	0.10	0.09

FPI INFLOWS	FY 2020-21	CY 2020	27-Oct-20
EQUITY	93,200	45,171	111
DEBT	-24,817	-87,412	3
HYBRID	7,887	10,237	-6
TOTAL	76,270	-32,004	108

Figures are in INR Crores

## Pivot Points

“ GBPINR is likely to find immediate resistance at R2 level (96.72) ”

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
27-Oct	JPY	10:30 AM	BoJ Core CPI (YoY)	<b>-0.1%</b>	0.00%	0.00%	<b>Bearish</b>
	USD	6:00 PM	Core Durable Goods Orders (MoM) (Sep)	<b>0.8%</b>	0.4%	1.0%	<b>Bullish</b>
	USD	7:30 PM	CB Consumer Confidence (Oct)	<b>100.9</b>	102.0	101.3	<b>Bearish</b>
28-Oct	AUD	6:00 AM	CPI (QoQ) (Q3)	<b>1.6%</b>	1.5%	-1.9%	<b>Bullish</b>

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