



FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

18 October 2021

From CEO's Desk

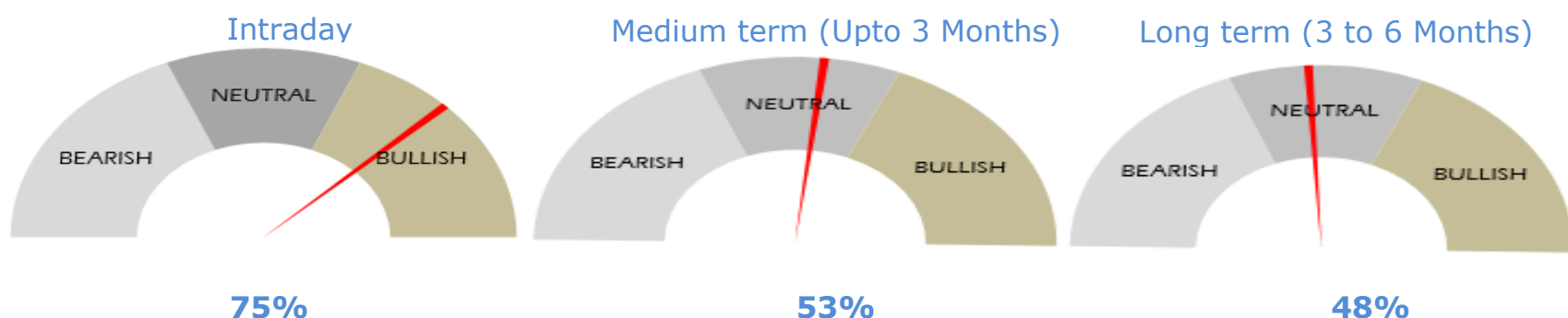


Mr. Abhishek Goenka

Inflation continues to remain in focus across the globe. The US September Retail sales data on Friday beat estimates. The beat was however more on account of the higher value of sales rather than volume of sales. Inflation is, therefore, more entrenched and enduring. It is not as transitory as believed earlier. This has caused US inflation expectations to shoot up. 5y inflation expectations are close to their highest levels since 2006. Long-term inflation expectations as measured by 5y5y breakevens are at 2.37%. Elevated inflation expectations have pushed US real rates lower, causing the Dollar to weaken across the board. The Dollar is underperforming only against the carry currencies i.e. EUR and JPY and CHF. The market is now pricing in one full hike by September next year but even if that hike materializes, it would still be inadequate to pull real rates up significantly, given the current inflation expectations. Overall risk sentiment is upbeat. Crude prices have inched higher with WTI now at USD 83.5 per barrel. Bitcoin has surpassed the USD 60000 mark as US regulator approved Bitcoin futures ETF. The ongoing property slump and energy crisis have contributed to economic activity decelerating in China. We may see the domestic bonds come under pressure today on higher US yields and higher crude prices. The yield on the 10y benchmark had ended at 6.33% on Thursday.

Strategy: Exporters are advised to cover at the current level. Importers are advised to cover on dips towards 74.50. 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



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

“ China Q3 GDP growth hits 1-year low, raising heat on policymakers

- China's Sept industrial output rises 3.1% y/y, misses forecasts
- Rising prices flatter U.S. retail sales; demand for goods remain strong
- IMF calls for targeted fiscal support in India
- WPI inflation eases to 10.66 pc in September on lower food prices
- Indo-US ties: Sitharaman, Yellen say focus on firm recovery policy

”

FX Outlook for the day

● USDINR (RANGE : 74.95 - 75.30)



Spot Rate:75.12 (Tentative)

The Indian rupee was underperforming on Thursday amid broad Dollar weakness, ending the session at 75.25. There were strong bids in USDINR around 75.20, likely related to specific Dollar buying (oil or defense-related). The Rupee however strengthened in the offshore market. A slew of IPOs are lined up and inflows would likely prevent runaway depreciation of the Rupee. The USDINR pair is expected to open at 75.12 and is expected to trade with an upside bias. Focus today will be on the US Industrial Production dataset.



● EURUSD (RANGE: 1.1520 - 1.1640)



Spot Rate:1.1582

President Lagarde said at an IMF event that the ECB will continue aiding the euro-area economy as the fallout from the pandemic lingers. She added, that "inflation is largely transitory" and, "once the pandemic emergency comes to an end, which is drawing closer, our forward guidance on rates, as well as asset purchases, will ensure that monetary policy remains supportive of the timely attainment of our target. The pair is expected to trade with a neutral bias. There is no macro data expected to be released from Eurozone.

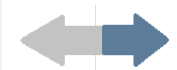


● GBPUSD (RANGE: 1.3670 - 1.3790)



Spot Rate:1.3730

The British pound gained following the hawkish comments from the BoE Governor Bailey. He said that the central bank is ready to act if there is a significant rise in medium-term inflation. He acknowledged that there are some supply-side concerns. The caution following the UK and EU new round of negotiations on the NI deal after London demanded extensive changes in the deal, limits the gain for the British pound. The pair is expected to trade with a neutral bias. There is no macro data expected to be released from UK.



● USDJPY (RANGE: 114.10 - 113.70)



Spot Rate:114.39

The USDJPY pair extends its one-and-a-half month rally, trading above 114.00 levels. As portrayed by US equity indexes rising, positive market sentiment in the financial markets weighs on the Japanese yen. Additionally, the US T-bond yields, which correlate positively with the USDJPY pair, are climbing. Meanwhile, upbeat US macroeconomic data also lend a hand to the greenback. The USDJPY pair is expected to trade with a bullish bias for the day. There is no macro economic data expected to be released from Japan today.



IFA Outlook

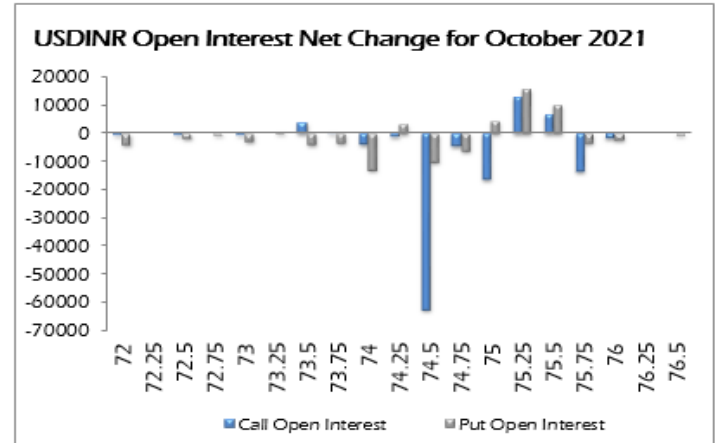
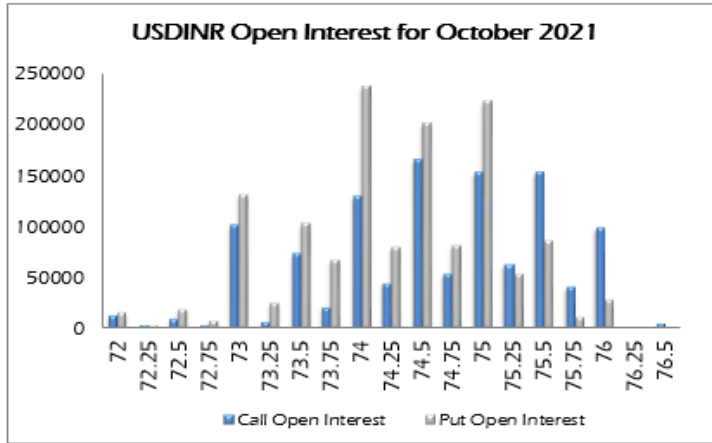
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The focus to be on the RBI MPC Meeting Minutes, Eurozone and UK CPI datasets
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	Q3 FY 2021-22	Q4 FY 2021-22	Q1 FY 2022-23	Q2 FY 2022-23
USDINR	73.80 - 76.00 ↑	72.50 - 76.00 ↔	73.00 - 76.50 ↑	73.50 - 77.00 ↑
\$ INDEX	92.00 - 96.00 ↑	93.00 - 97.50 ↑	93.00 - 98.00 ↑	94.00 - 99.50 ↑
EURUSD	1.1400 - 1.2000 ↓	1.1400 - 1.2000 ↓	1.1550-1.2100 ↔	1.1650 - 1.2200 ↑
GBPUSD	1.3250 - 1.3850 ↓	1.3400 - 1.4000 ↑	1.3600 - 1.4300 ↔	1.3800 - 1.4600 ↑
USDJPY	108.50 - 113.50 ↑	109.00 - 114.00 ↑	109.50 - 114.50 ↓	110.00-115.00 ↑
AUDUSD	0.6850 - 0.7650 ↓	0.7200 - 0.7800 ↑	0.7300- 0.7900 ↔	0.7100 - 0.7700 ↓
GOLD	\$1550- \$1950 ↓	\$1600- \$2100 ↔	\$1700- \$2150 ↔	\$1600- \$2000 ↓

Activity Kurtosis

• USDINR Open Interest (October expiry)

“ Highest OI for Call is at 74.50 and Put is at 74.00. Highest OI intraday Call unwinding is seen at 74.50 and Put buildup is seen at 75.25. ”



• FII activity against USDINR and Nifty

“ FIIs have so far infused \$12.38 billion in the Calendar year 2021 ”

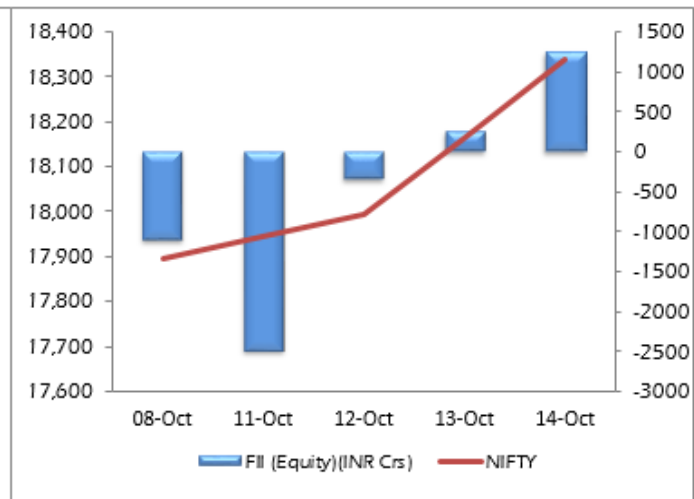
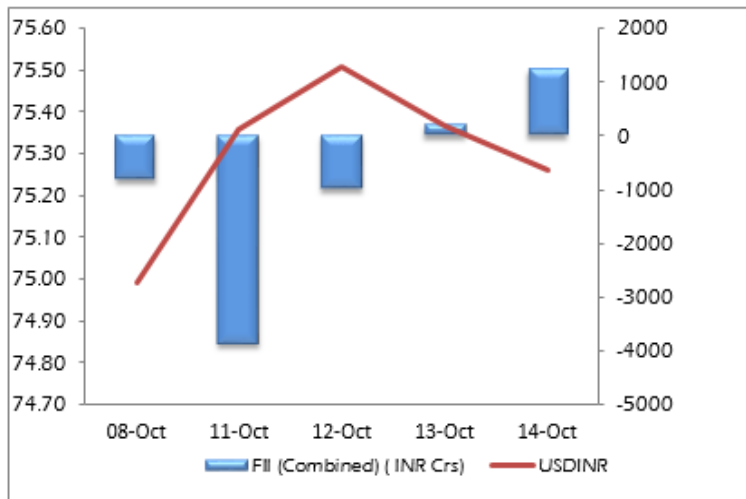


Chart of the Day

“ The USDINR NSE Oct futures opened at 75.18 today. The USDINR spot in OTC market is expected to open at 75.12. Immediate resistance to be around 75.65. On the flipside, the immediate support will be at the 74.44 levels which is also the supertrend level. All the technical factors suggest bullish bias for the day. ”

USDINR: 75.12



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.07	0.08	0.16	0.28
EUR	-0.58	-0.57	-0.54	-0.49
JPY	0.04	-0.07	-0.06	0.06

Rolling Forward Premiums (in Rupees)

MONTH	1M	3M	1Y	2Y
USDINR	0.23	0.72	3.35	6.84
EURINR	0.32	1.04	4.68	9.97
GBPINR	0.32	1.01	4.28	8.78
JPYINR	0.21	0.70	3.26	7.10

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	25242	-0.35
	SHANGHAI	3560	-0.35
	NIKKEI	29018	-1.78
INDIA	SENSEX	61863	0.91
	NIFTY	18508	0.93
EUROPE	CAC	6685	0.00
	DAX	15587	0.81
	FTSE	7234	0.37
US	DOW	35295	1.09
	NASDAQ	14897	0.50

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1771.25	3.88	0.22
SILVER (\$/ounce)	23.39	0.10	0.42
WTI Crude (\$/brl)	83.35	1.07	1.3
Dollar INDEX	94.00	0.04	0.04
Bloomberg ADXY	107.55	-0.01	-0.01

FPI INFLOWS	FY 2021-22	CY 2021	14-Oct-21
EQUITY	8,756	64,499	1,256
DEBT	26,642	26,516	-14
HYBRID	2,072	2,123	5
TOTAL	37,470	93,138	1,247

Figures are in INR Crores

Pivot Points

JPYINR pair is likely to face immediate resistance at 66.54 (R1)

Pivot	S2	S1	P	R1	R2
USDINR	74.71	74.98	75.32	75.60	75.94
EURINR	86.35	86.81	87.15	87.61	87.95
GBPINR	101.50	102.50	103.09	104.09	104.68
JPYINR	65.05	65.45	66.14	66.54	67.24

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
14-Oct	CNY	7:00 AM	CPI (YoY) (Sep)	0.70%	0.90%	0.80%	Bearish
	INR	12:00 PM	WPI Inflation (YoY) (Sep)	10.66%	11.10%	11.39%	Bearish
	USD	6:00 PM	Initial Jobless Claims	293K	319K	326K	Bullish
18-Oct	CNY	7:30 AM	Industrial Production (YoY) (Sep)	3.10%	4.50%	5.30%	Bearish
	CNY	7:30 AM	Retail Sales (YoY) (Sep)	4.40%	3.30%	2.50%	Bullish
	CNY	7:30 AM	GDP (YoY) (Q3)	4.90%	5.20%	7.90%	Bearish
	USD	6:45 PM	Industrial Production (MoM) (Sep)		0.20%	0.40%	

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