



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

14 January 2021

## From CEO's Desk



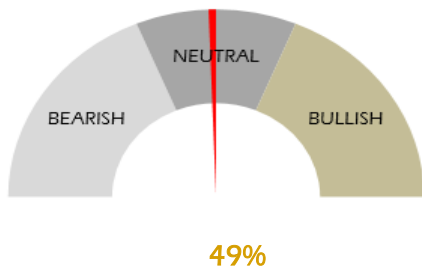
Mr. Abhishek Goenka

President Trump has been impeached by the House of Representatives. Since the Senate trial won't happen until inauguration, Trump would not be removed from office. US core CPI rose 0.1% MoM in December compared to 0.2% in November. Lower than expected core CPI has caused the US 10y yield to come off further from recent highs around 1.18%. President elect Biden is likely to present details of a USD 2tn Coronavirus relief package today. US yields have come up 3bps overnight. The CPI led uptick in domestic bonds was short lived with the yield on the 10y benchmark bond ending at 5.94%. We expect the RBI to announce an OMO soon to manage sentiment in the bond market. The forward curve onshore continues to get dislocated. Cash Dollar selling is keeping cash-spot points elevated at 4%. 1y forward is at 4.65%. A USD glut due to persistent inflows and an uptick in money market rates has contributed to forward getting paid across the curve. However if the RBI uses other instruments to suck out liquidity such as Term Reverse Repos or CMBs, it would not have to sterilize its FX intervention which should eventually cause the forward curve to normalize. An elevated forward curve makes shorting the Rupee against the Dollar expensive. Rupee is likely to trade in 73.05-73.35 range.

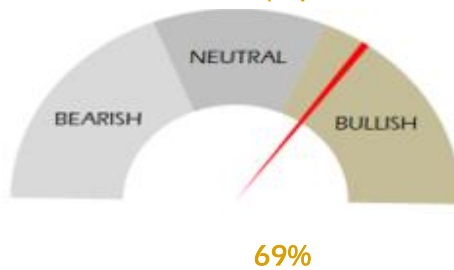
**Strategy:** Exporters are advised to cover a part of their exposure on upticks to 73.80-73.90. Importers are advised to cover through options. The 3M range for USDINR is 72.50 – 74.40 and the 6M range is 73.00 – 76.00.

## IFA Dollar- Rupee Sentiment Index

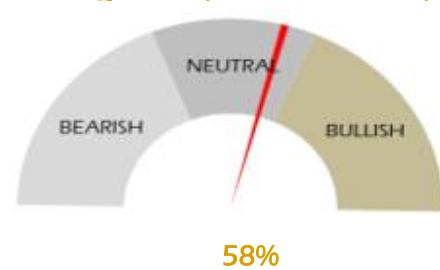
### Intraday



### 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

“ Dollar extends rebound as investors await U.S. stimulus details

- House voted to make Trump the first U.S. president to be impeached twice
- US bond yields under pressure following strong 30-year auction
- Oil prices dip on rise in virus cases; U.S. stock draw checks losses
- Treasury bill yields rise in India after RBI's cash move
- Banks to be resilient even if there is a 15% run on deposits - RBI report

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### FX Outlook for the day

● USDINR (RANGE - 73.05 - 73.35)



Rupee opened on a flat note at 73.19 levels as Asian currencies and equities trade on a mixed note. Going forward, the local unit is likely to trade in a range bound manner with a slight weaker bias as global dollar trades higher. Markets await U.S. Federal Reserve Chair Jerome Powell's speech and President-elect Joe Biden's fiscal stimulus plan today which could keep the global dollar volatile.



● EURUSD (RANGE- 1.2080 - 1.2200)



Euro plunged towards 1.2134 owing to fall in DXY as President-elect Joe Biden prepared to outline his plans for massive fiscal stimulus. The currency is expected to continue in bearish mode tracking the movements in DXY. However, optimistic comments by the ECB President who remained confident of the eurozone's recovery despite renewed virus curbs could act as a support.



● GBPUSD (RANGE- 1.3580 - 1.3690)



Sterling has fallen towards 1.3610 levels after Britain reported most deaths in one day since the pandemic began. Also, Johnson & Johnson's single-dose Covid-19 vaccine may not be authorized for use until March, weeks later than U.S. officials had suggested which dented sentiments. Pound is expected to remain in the bearish mode owing to rebound in US Dollar.



● USDJPY (RANGE- 103.70 - 104.50)



Yen weakened towards 104.19 levels as the risk appetite improve on hopes that the Biden Admin would ramp up US distribution of coronavirus vaccines, allowing large parts of the US economy to reopen. Going forward, the demand for safe-haven Yen is likely to take a hit. Markets to focus on Biden's plan for "trillions" of dollars in pandemic relief to be released today.



### IFA Outlook

“ Focus to be on the macro dataset to be released.

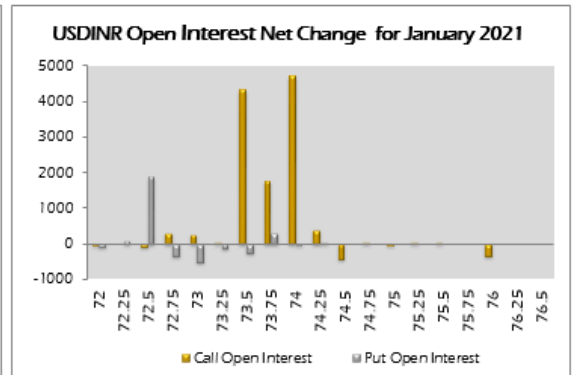
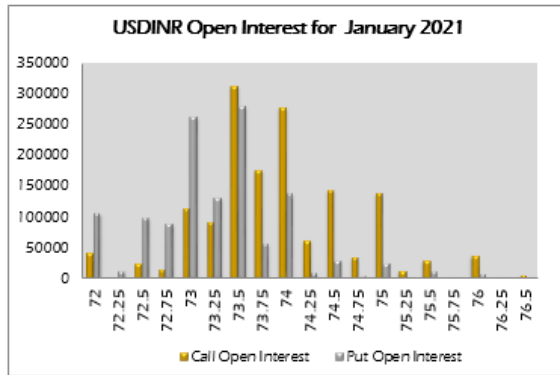
	Q4 FY 2020-21		Q1 FY 2021-22		Q2 FY 2021-22		Q3 FY 2021-22	
USDINR	72.50-74.90	↔	73.00-76.00	↔	73.00 - 77.00	↑	73.00-76.00	↔
\$ INDEX	89.00 - 93.00	↓	91.20- 95.50	↔	95.00- 100.00	↓	95.00- 100.00	↓
EURUSD	1.1950-1.2350	↑	1.1700-1.2200	↑	1.1600-1.2150	↑	1.1450-1.2000	↑
GBPUSD	1.3125-1.3650	↑	1.3100-1.3600	↑	1.3400-1.4000	↑	1.3500-1.4150	↑
USDJPY	103.00 - 106.00	↓	104.00-108.00	↓	106.00-111.00	↔	107.00-112.00	↔
AUDUSD	0.7150-0.7750	↑	0.7150- 0.7650	↑	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 (January expiry )

Highest OI for Call & Put is seen at 73.50. Highest OI intraday buildup for Call is seen at 74.00 & for Put is seen at 72.50.



• FII activity against USDINR and Nifty

FII have so far infused \$30.58 billion in the Financial year 2020-21

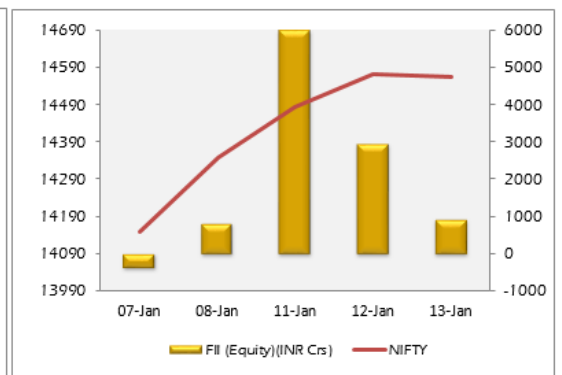
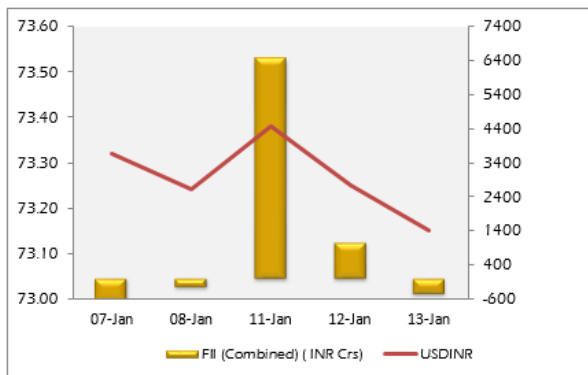


Chart of the Day

USDINR: 73.19

USDINR made a tad higher opening today at 73.19 levels. Immediate resistance to be at 73.37 levels which is the middle bollinger band. On the flipside, immediate support to be at 72.88 levels which is the lower bollinger band. Major technical indicators suggest neutral view for intraday.



## Major Global Rates

## LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.09	0.13	0.25	0.33
EUR	-0.58	-0.59	-0.53	-0.49
JPY	0.04	-0.06	-0.06	0.04

## Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.25	0.82	3.42	7.35
EURINR	0.37	1.17	4.94	10.63
GBPINR	0.35	1.17	4.92	10.53
JPYINR	0.27	0.86	3.65	7.95

## Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	28374	0.49
	SHANGHAI	3588	-0.29
	NIKKEI	28928	1.66
INDIA	SENSEX	49261	-0.47
	NIFTY	14488	-0.53
US	CAC	5663	0.21
	DAX	13940	0.11
	FTSE	6746	-0.13
	DOW	31060	-0.03
	NASDAQ	13129	0.43

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1840.18	-7.02	-0.38
SILVER (\$/ounce)	25.22	-0.09	-0.34
Brent (\$/bbl)	52.79	-0.12	-0.23
Dollar INDEX	90.41	0.05	0.06
Bloomberg ADXY	109.41	0.00	0.00

FPI INFLOWS	FY 2020-21	CY 2021	13-Jan-21
EQUITY	2,33,003	14,712	941
DEBT	-19,495	-2,443	-1,360
HYBRID	10,158	-37	5
TOTAL	2,23,666	12,232	-414

Figures are in INR Crores

## Pivot Points

JPYINR pair is likely to take immediate support at 70.08 (S1)

Pivot	S2	S1	P	R1	R2
USDINR	72.65	72.94	73.20	73.49	73.75
EURINR	88.63	89.04	89.65	90.06	90.67
GBPINR	98.16	98.74	99.46	100.04	100.76
JPYINR	69.74	70.08	70.70	71.04	71.66

## Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
13-Jan	EUR	12:30 PM	German WPI MoM	<b>0.6%</b>	0.1%	0.1%	<b>Bullish</b>
	EUR	3:30 PM	Industrial Production MoM	<b>2.5%</b>	0.2%	2.1%	<b>Bullish</b>
	USD	7:00 PM	CPI MoM	<b>0.4%</b>	0.4%	0.2%	<b>Neutral</b>
14-Jan	INR	12:00 PM	WPI Inflation YoY (Dec)		1.30%	1.55%	
	USD	7:00 PM	Initial Jobless Claims		785K	787K	

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