



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

12 February 2021



From CEO's Desk

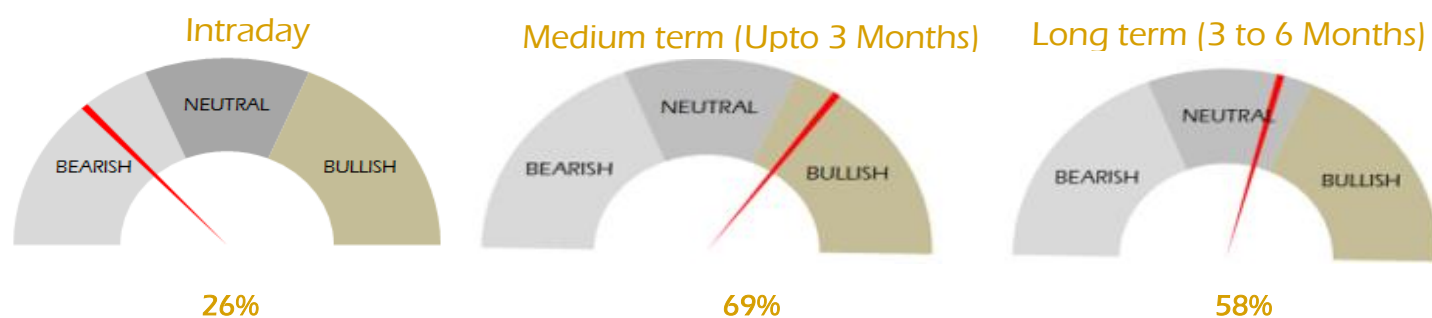


Mr. Abhishek Goenka

The Rupee yesterday managed to break 72.80 initially as nationalized banks missed the action. USD/INR touched a low of 72.66 but quickly rebounded to end the session at 72.85. The RBI seemed to have intervened aggressively in OTC and on the exchange. The special Gsec auction yesterday too was interesting. It appears the PDs bought both the papers up for auction (2025 security and benchmark 2030 security) aggressively and the RBI bought the stock from the PDs in secondary market (approx 20000crs). This is as close to direct monetization as it can get. In yesterday's OMO, the RBI has bought the benchmark security aggressively. The 10y yield ended the session at 5.96%. It seems the RBI wants to cap the yield on the 10y at around 6% and is resorting to implicit yield curve control. We believe nationalized banks will continue to protect downside in USD/INR. The forwards saw some respite yesterday with 1y coming off 4p in absolute terms, primarily as the last day March over First day March cooled off to 21.5p from around 24p. US jobless claims came in higher than expected. The broader Dollar and Us yields are steady. China is on lunar new year holidays. Monday is a US holiday (President's day) and therefore no cash transactions would be possible.

Strategy: Exporters are advised to cover a part of their exposure on upticks to 73.40-73.50. 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



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

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Euro zone in double-dip recession, recovery risks to downside

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- Fed policymakers see rebound ahead, even if no herd immunity
- US house approves another \$14 billion for pandemic hit airlines
- German consumer prices to surpass ECB target this year
- Oil Extends drop below \$58 after IEA cuts 2021 demand forecast
- Asian bonds see foreign inflows for eighth straight month in January

FX Outlook for the day

● **USDINR (RANGE - 72.70 - 73.00)**



USDINR made a slight lower opening today at 72.80 levels from its previous closing levels of 72.85. Rupee is benefitting from the upbeat mood in the broader financial markets, which supports riskier assets such as equities. Fed Chair Powell reiterated that their monetary policy will remain supportive. USDINR to trade in a range bound manner ahead of India's CPI data today.



● **EURUSD (RANGE- 1.2090 - 1.2160)**



Euro slightly rallied to close at 1.2119 on account of weak US jobs data. USD dropped in the past few days after they released relatively weak jobs numbers. CPI numbers were below estimates which would call for more fiscal and monetary stimulus. EUR/USD will trade with a neutral bias as EU economic forecasts by the European commission will come out later in the day.



● **GBPUSD (RANGE- 1.3775 - 1.3890)**



Pound rallied further to close at 1.3815. Developments in the US are driving the pair, as the Federal Reserve is expected to inject still more money into the economy. GBPUSD is likely to trade in a range bound manner with a positive bias as economy is forecasted to contract by about 8.1%, lower than the previous 8.6% because of lockdowns. They also expect the IIP to be relatively muted.



● **USDJPY (RANGE- 104.30 - 105.15)**



The yen slightly weakened to close at 104.72 levels. The dollar tilted higher as stocks took a turn to the worse, with the US indexes falling into the red. Japanese traders couldn't gain a good welcome after Thursday's off as coronavirus worries pushed the Asian major to extend activity restrictions. Japan will re-open today, but won't publish relevant data.



IFA Outlook

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| | 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 | 1.3125-1.3750 | ↑ | 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 | ↑ |

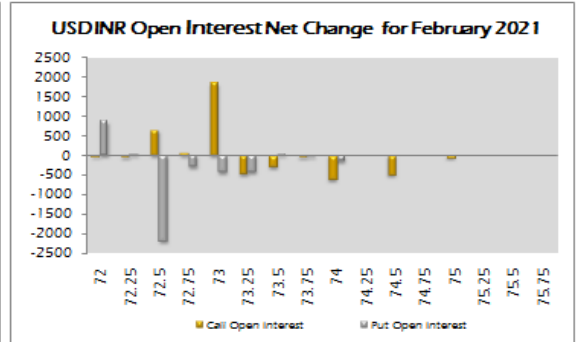
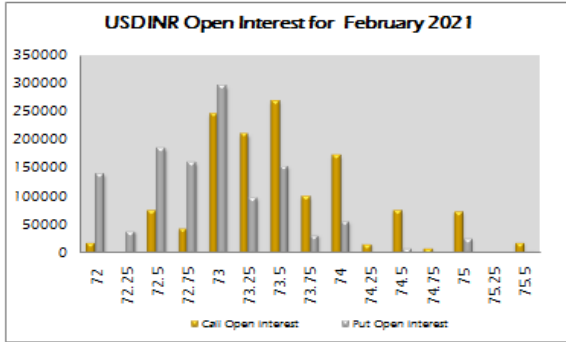
Focus to be on UK GDP data and India CPI data

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Activity Kurtosis

• USDINR Open Interest (February expiry)

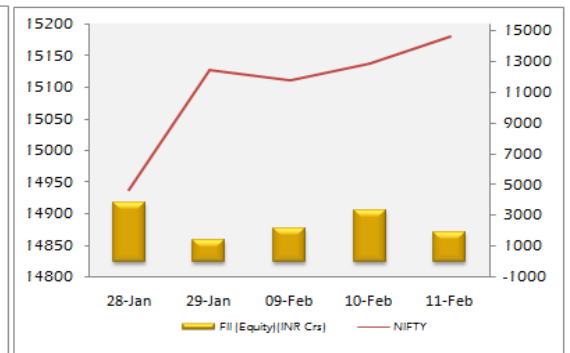
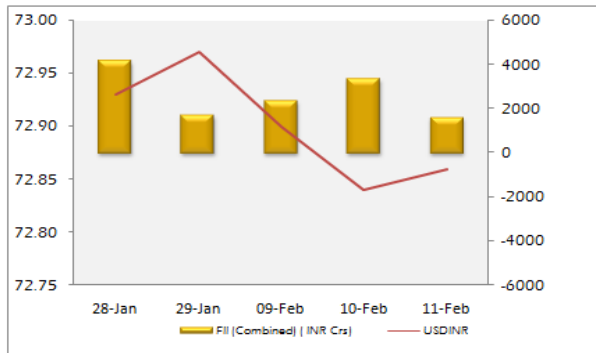
“ Highest OI for Call & Put is seen at 73.50 and 73.00. Highest OI intraday buildup for Call at 73.00 and Put unwinding is seen at 72.50



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• FII activity against USDINR and Nifty

“ FIIs have so far infused \$33.83 billion in the Financial year 2020-21



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Chart of the Day

USDINR: 72.80

“ USDINR made a slight lower opening today at 72.80 levels. Immediate resistance to be at 73.22 (Super trend). On the flipside, 72.76 is an extremely crucial support, break of which could trigger stops. Major technical indicators suggest neutral view for intraday.



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Major Global Rates

LIBOR Rates

| LIBOR | ON | 1M | 6M | 1Y |
|-------|-------|-------|-------|-------|
| USD | 0.08 | 0.11 | 0.21 | 0.30 |
| EUR | -0.58 | -0.58 | -0.54 | -0.50 |
| JPY | 0.04 | -0.07 | -0.05 | 0.04 |

Rolling Forward Premiums (in paise)

| MONTH | 1M | 3M | 1Y | 2Y |
|--------|------|------|------|-------|
| USDINR | 0.24 | 1.05 | 3.77 | 7.65 |
| EURINR | 0.33 | 1.44 | 5.32 | 10.90 |
| GBPINR | 0.33 | 1.48 | 5.37 | 10.85 |
| JPYINR | 0.24 | 1.07 | 3.93 | 8.14 |

Quick Glance

| REGION | GLOBAL INDICES | LAST | % CHANGE |
|--------|----------------|-------|----------|
| ASIA | HANG SENG | 30174 | 0.45 |
| | SHANGHAI | 3655 | 1.43 |
| | NIKKEI | 29479 | -0.28 |
| INDIA | SENSEX | 51532 | 0.43 |
| | NIFTY | 15173 | 0.44 |
| | CAC | 5670 | -0.02 |
| | DAX | 14041 | 0.77 |
| | FTSE | 6529 | 0.07 |
| US | DOW | 31431 | -0.02 |
| | NASDAQ | 14026 | 0.38 |

| COMMODITIES/DI | LAST | CHANGE | % CHANGE |
|--------------------|---------|--------|----------|
| GOLD (\$/ounce) | 1820.61 | -5.98 | -0.33 |
| SILVER (\$/ounce) | 26.91 | -0.06 | -0.24 |
| WTI Crude (\$/brl) | 57.75 | -0.49 | -0.84 |
| Dollar INDEX | 90.49 | 0.07 | 0.08 |
| Bloomberg ADXY | 109.61 | -0.02 | -0.02 |

| FPI INFLOWS | FY 2020-21 | CY 2021 | 11-Feb-21 |
|-------------|------------|---------|-----------|
| EQUITY | 257,333 | 39,042 | 1,884 |
| DEBT | -20,503 | -3,451 | -265 |
| HYBRID | 10,056 | -138 | -34 |
| TOTAL | 246,886 | 35,453 | 1,585 |

Figures are in INR Crores

Pivot Points

| Pivot | S2 | S1 | P | R1 | R2 |
|--------|-------|-------|-------|--------|--------|
| USDINR | 72.60 | 72.77 | 72.96 | 73.13 | 73.32 |
| EURINR | 86.35 | 87.08 | 87.89 | 88.62 | 89.43 |
| GBPINR | 98.31 | 99.21 | 99.84 | 100.74 | 101.37 |
| JPYINR | 68.42 | 68.81 | 69.34 | 69.73 | 70.26 |

EURINR pair is likely to face immediate support at 87.08 (R1)

Macro Monitor

| | Currency | Time (IST) | Major Global Events | Actual | Forecast | Previous | Impact |
|--------|----------|------------|-----------------------------------|-------------|----------|----------|----------------|
| 11-Feb | EUR | 12:30 PM | German WPI MoM | 2.1% | 0.4% | 0.6% | Bullish |
| | USD | 7:00 PM | Initial Jobless Claims | 793K | 757K | 779K | Bearish |
| 12-Feb | GBP | 12:30 PM | Industrial Production (MoM) (Dec) | | 0.5% | -0.1% | |
| | GBP | 12:30 PM | GDP (YoY) | | -8.1% | -8.6% | |
| | INR | 5:30 PM | CPI (YoY) (Jan) | | 4.45% | 4.59% | |

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