



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

18 January 2021

## From CEO's Desk



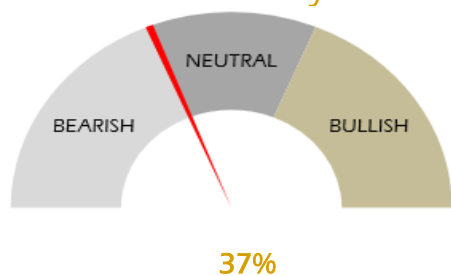
Mr. Abhishek Goenka

Data from the US such as jobless claims and retail sales seem to suggest that there has been a notable deceleration in the pace of economic recovery. With unemployment rate still elevated and expected to decline only gradually, there seems to be limited upside in inflation expectations from current elevated levels. This would imply limited down side for US real rates and therefore for the US Dollar too. The RBI governor in his latest speech made it clear that building up Reserves is crucial to insulate the economy from external shocks. Being put on the monitoring list for currency manipulation by the US treasury is therefore not likely to act as a big deterrent in continued accumulation of Reserves by the RBI. Bonds will be closely tracked heading into the budget on 1st February. The 10y yield had ended just shy of 6% on Friday. The RBI did announce a Rs 10000crs OMO post market hours to soothe sentiment. Sell off in the shorter end of the curve is permeating into the farther end as well. RBI absorbed liquidity of Rs 2 lakh cr through the variable rate reverse repo auction on Friday. The cut off was quite high compared to the weighted average, which indicates RBI absorbed liquidity quite aggressively. Rupee is likely to trade in a 73.10-73.40 range with upside bias.

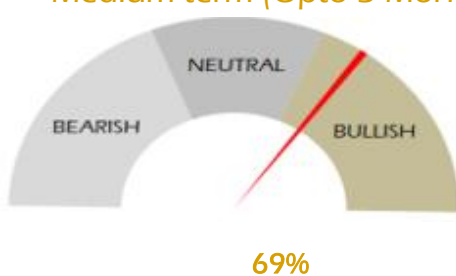
**Strategy:** Exporters are advised to cover a part of their exposure on upticks to 73.80-73.90. Importers are advised to cover through options. The 3M range for USDINR is 72.50 – 74.40 and the 6M range is 73.00 – 76.00.

### IFA Dollar- Rupee Sentiment Index

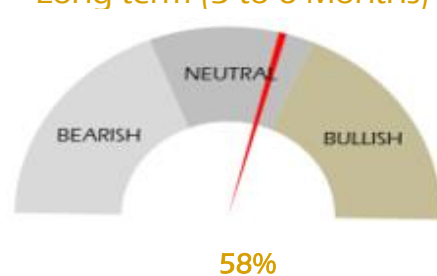
#### Intraday



#### 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

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Dollar pokes higher as U.S. soft data sours mood; China GDP in focus

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- Yellen prepared to affirm commitment to market-determined dollar value
- France wants suspension of 'poisonous' U.S.-Europe trade spat
- U.S. banks will be closed in observance of Martin Luther King Day.
- Indian bond yields surge most in four months as RBI drains cash
- RBI governor calls for stronger governance structure in banks, NBFCs



## FX Outlook for the day

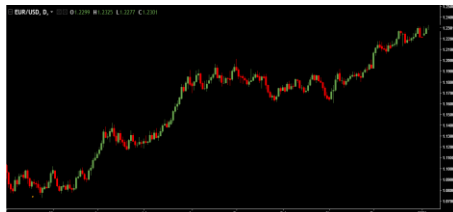
## ● USDINR (RANGE - 73.10 - 73.40)



Rupee opened weaker at 73.21 levels amid the dollar index reaching a near one-month high as softening U.S. economic data and rising coronavirus cases turned investors cautious. Going forward, the trend of Rupee shall be mixed with a slight weaker bias tracking the movement in DXY. Today is a US holiday and therefore no cash transactions would be possible.



## ● EURUSD (RANGE- 1.2030 - 1.2150)



Euro currency plunged towards 1.2064 levels in response to reports of a \$1.9 trillion stimulus package from Biden's administration. This bearish trend is likely to continue for some time in Euro currency owing to surge in US Dollar. Markets will be cautious prior to the ECB Monetary Policy this week. Also, lockdowns and Italian political turmoil could add to Euro's woes.



## ● GBPUSD (RANGE- 1.3510 - 1.3650)



Sterling plunged towards 1.3450 levels as the UK PM Boris Johnson announced additional restrictive travel measures to protect "against the risk of as yet unidentified new strains." Trend of Pound is likely to remain mixed as lack of important economic datasets from the nation shall keep the trading volumes a bit light. Any volatile movement in DXY shall influence the trend of GBP.



## ● USDJPY (RANGE- 103.40 - 104.40)



Japanese Yen is trading in a range bound manner and is expected to continue with the mixed trend with a slight negative bias today. The US Dollar Index is trading higher post the disappointing release of retail sales data from the US which could influence Yen currency. Markets feel that the rising cases of Covid-19 in Japan could derail economic revival in 2021 thereby adding to the woes.



## IFA Outlook

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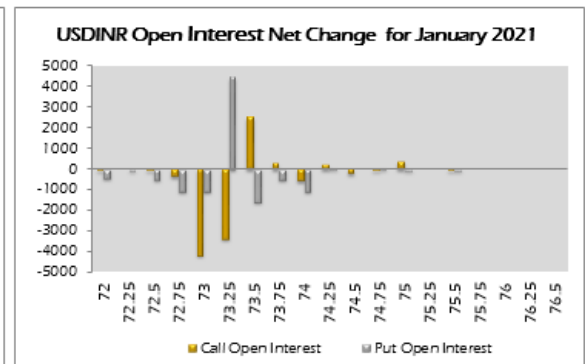
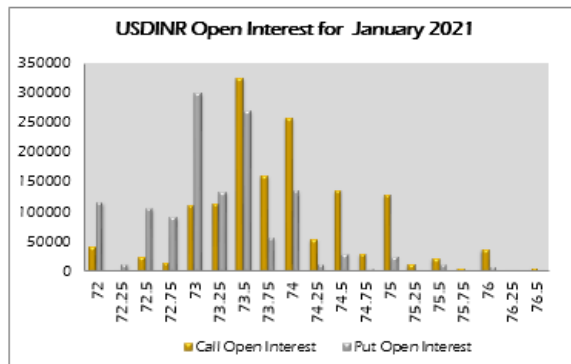
Biden's inauguration and ECB Monetary Policy Statement to remain theme of the week

		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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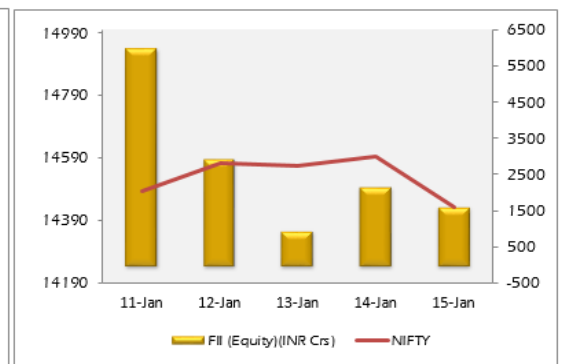
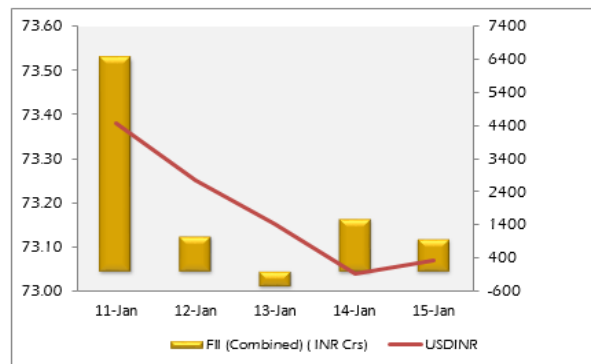
## Activity Kurtosis

## • USDINR Open Interest (January expiry)



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## • FII activity against USDINR and Nifty



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FII have so far infused \$30.97 billion in the Financial year 2020-21

## Chart of the Day

USDINR: 73.21



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USDINR made a gap up opening today at 73.21 and is trading closer to the middle bollinger band. Immediate resistance to be at 73.55 which is the Super trend levels. On the flipside, immediate support to be at 72.82 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	0.32
EUR	-0.59	-0.59	-0.54	-0.50
JPY	0.04	-0.06	-0.05	0.04

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.27	0.87	3.44	7.54
EURINR	0.39	1.23	4.94	10.79
GBPINR	0.38	1.23	4.92	10.73
JPYINR	0.28	0.90	3.67	8.12

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	28713	0.49
	SHANGHAI	3591	0.70
	NIKKEI	28203	-1.11
INDIA	SENSEX	48722	-0.64
	NIFTY	14309	-0.86
US	CAC	5612	-1.22
	DAX	13788	-1.44
	FTSE	6736	-0.97
	DOW	30814	-0.57
	NASDAQ	12999	-0.87

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1828.10	-0.02	0.00
SILVER (\$/ounce)	24.82	0.07	0.28
Brent (\$/bbl)	51.89	-0.47	-0.90
Dollar INDEX	90.85	0.05	0.06
Bloomberg ADXY	109.17	-0.12	-0.11

FPI INFLOWS	FY 2020-21	CY 2021	15-Jan-21
EQUITY	2,36,781	18,490	1,611
DEBT	-20,676	-3,624	-620
HYBRID	10,167	-28	14
TOTAL	2,26,272	14,838	1,005

Figures are in INR Crores

Pivot Points

EURINR pair is likely to take immediate support at 87.85 (S1)

Pivot	S2	S1	P	R1	R2
USDINR	72.64	72.86	73.17	73.39	73.70
EURINR	87.42	87.85	88.70	89.13	89.98
GBPINR	97.80	98.53	99.41	100.14	101.02
JPYINR	69.78	70.06	70.41	70.69	71.04

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
15-Jan	GBP	12:30 PM	GDP MoM	-2.6%	-4.6%	0.4%	Bullish
	INR	5:50 PM	Balance of Trade Final (Dec)	\$-15.44B	\$-15.71B	\$-9.87B	Bullish
	USD	7:00 PM	Retail Sales MoM	-0.7%	0.0%	-1.1%	Bearish
18-Jan	CNY	7:30 AM	GDP QoQ	6.5%	6.2%	4.9%	Bullish
	CNY	7:30 AM	Industrial Production YoY	7.3%	6.9%	7.0%	Bullish

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