



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

26 February 2021



## From CEO's Desk

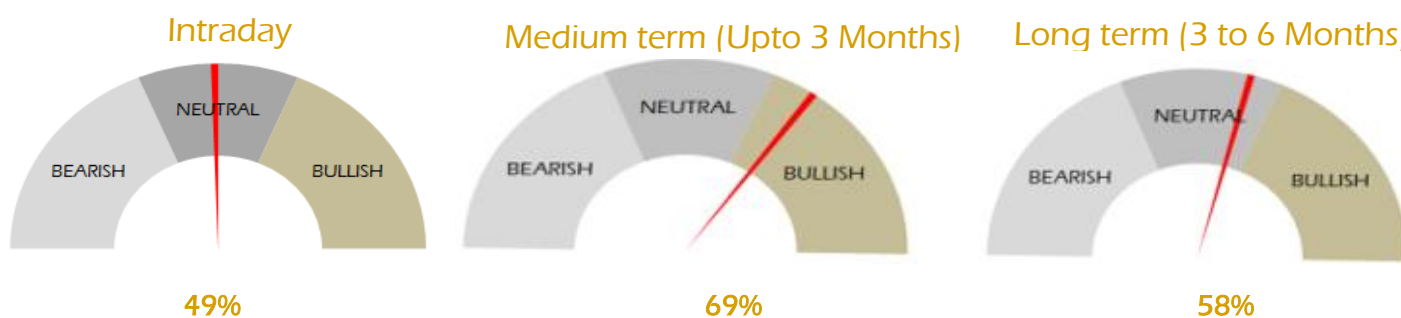


Mr. Abhishek Goenka

The US Dollar reversed sharply yesterday as US rates shot higher. Recent US data has persistently come in above expectations. Consumer confidence and business sentiment have improved markedly. However, the Fed has been downplaying the recovery citing downside risks, and has not been acknowledging the improvement in economic conditions. Persistently solid US data is now causing markets to believe that the recovery is now too strong for the Fed to not acknowledge it. The longer end of the curve is rising while the shorter end is well anchored due to ultra dovish Fed communication. Yesterday US jobless claims were lower than expected and January Durable goods data beat estimates. The US yields which were already climbing higher, shot up after 7y auction received a tepid response. US 10y yield had crossed the 1.50% mark at one point. Higher US real rates make it more expensive to hold riskier assets. Rupee was the worst-performing currency in trade yesterday due to LEF relaxation granted by RBI. 1y forwards fell by 20p. Post the onshore close, the Dollar reversed across the board. USD/INR too saw massive short covering in NDF, spiking to above 73. Domestic Q3 FY21 GDP print is due today post market hours, alongside Jan core sector data.

**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

“ U.S. labor market showing tentative signs of improvement

- Biden takes first military action with strikes on Syria militias
- Oil prices fall on rising U.S dollar, expectations for supply gains
- Biden trade pick says china must deliver on phase-one pact
- US GDP revised slightly up to 4.1% in Q4
- Fed views rising yields as bullish signs reflecting 2021 optimism

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### FX Outlook for the day

● USDINR (RANGE - 72.80 - 73.15)



USDINR pair opened gap up at 73.04 levels. US yields have moved up sharply towards 1.45% in the last session. The Dollar index finally moved below 90 levels as fresh momentum was observed. US initial jobless claims fell sharply last week. After a gap up opening of 60 paise, USDINR is expected to trade intraday with a neutral bias on account of domestic GDP later in the day.



● EURUSD (RANGE- 1.2120 - 1.2200)



The euro clinched to fresh highs near 1.22 levels. The upside momentum in euro subsided somewhat after sellers turned up. The pair finally closed at 1.2176 levels. The German Consumer Confidence improved to -12.9 for February (from -15.5), while the ECB's M3 Money Supply expanded at an annualized 12.5% and Private Sector Loans rose 3.0% from a year earlier.



● GBPUSD (RANGE- 1.3980 - 1.4090)



The pound fell in the final hours to close at 1.4013 levels. The UK macroeconomic calendar had nothing to offer, preventing the pound from advancing further. US data came in better than expected and the surges in short-term US bond yields lead to global dollar strength. Optimism over a stronger economic recovery in the UK underpinned the British pound.



● USDJPY (RANGE- 105.85 - 106.50)



The US dollar had rallied yet again against the Japanese yen, reaching towards the most recent high, showing signs of strength again. It closed around 106.21 levels. Japan published the final version of the December Leading Economic Index, which came in at 95.3, better than the 94.9 previously estimated. The core CPI for Tokyo fell 0.3% in February from a year earlier.



### IFA Outlook

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Focus to be on domestic GDP to be released today

	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	1.3550-1.4150	↑	1.3700-1.4300	↑	1.3700-1.4400	↑	1.3600-1.4400	↑
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	\$1750 - \$2000	↑	\$1800- \$2100	↑	\$1700- \$2200	↑	\$1700- \$2200	↑

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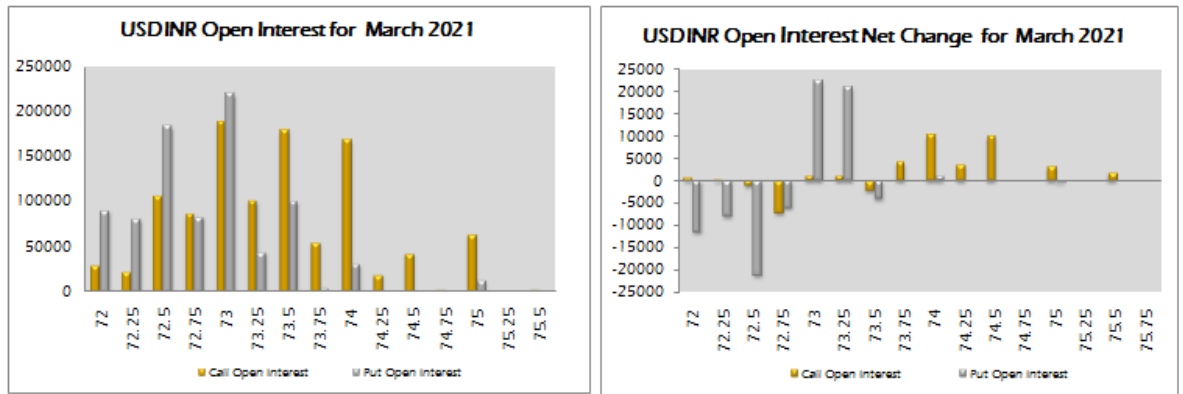
Activity Kurtosis

• USDINR Open Interest (March expiry)

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Highest OI for Call and Put is seen at 73.00. Call buildup is seen at 74.00 for Put is seen at 73.00

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• FII activity against USDINR and Nifty

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FII have so far infused \$34.28 billion in the Financial year 2020-21

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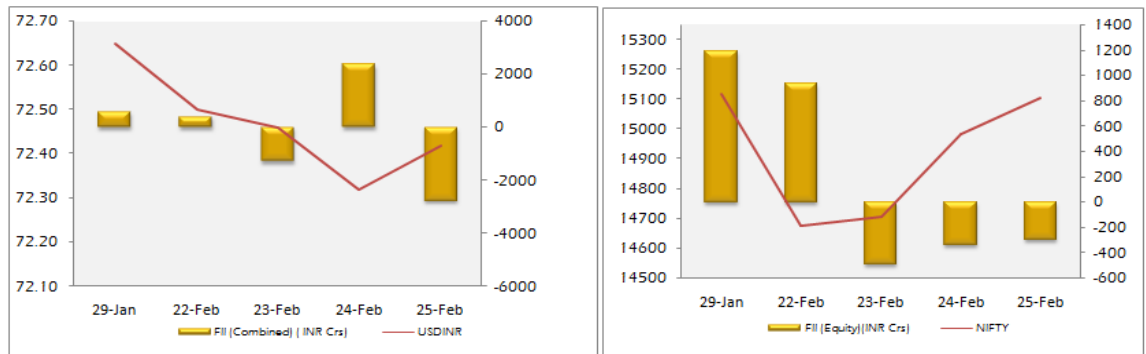


Chart of the Day

USDINR: 73.04

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USDINR made a gap up opening at 73.04 levels above the super trend level of 72.87. Immediate resistance to be at 73.19 of upper bollinger band. Major technical indicators suggest a neutral bias for the day.

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## Major Global Rates

## LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.12	0.20	0.28
EUR	-0.59	-0.58	-0.52	-0.49
JPY	0.04	-0.08	-0.05	0.05

## Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.27	0.99	3.66	7.47
EURINR	0.40	1.38	5.21	10.97
GBPINR	0.40	1.42	5.27	10.98
JPYINR	0.28	1.00	3.81	8.05

## Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	29443	-2.10
	SHANGHAI	3533	-1.46
	NIKKEI	29446	-2.39
INDIA	SENSEX	51039	0.51
	NIFTY	15097	0.77
	CAC	5784	-0.24
	DAX	13879	-0.69
	FTSE	6652	-0.11
US	DOW	31402	-1.75
	NASDAQ	13119	-3.52

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1772.60	2.63	0.15
SILVER (\$/ounce)	27.32	-0.18	-0.65
WTI Crude (\$/brl)	63.10	-0.43	-0.68
Dollar INDEX	90.16	0.03	0.03
Bloomberg ADXY	109.16	0.23	0.21

FPI INFLOWS	FY 2020-21	CY 2021	25-Feb-21
EQUITY	261,760	43,470	-300
DEBT	-22,165	-5,113	-2,461
HYBRID	10,575	381	-36
TOTAL	250,170	38,738	-2,797

Figures are in INR Crores

## Pivot Points

Pivot	S2	S1	P	R1	R2
USDINR	72.37	72.51	72.71	72.85	73.05
EURINR	86.95	87.47	87.96	88.48	88.97
GBPINR	100.07	100.92	101.44	102.29	102.81
JPYINR	68.94	69.04	69.08	69.18	69.28

GBPINR pair is likely to take immediate resistance at 102.29 (R1)

## Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
25-Feb	EUR	3:30 PM	Consumer Inflation Expectation (Feb)	15.7		15.4	<b>Bullish</b>
	USD	7:00 PM	GDP (QoQ) (Q4)	4.1%	4.2%	4.0%	<b>Bearish</b>
	USD	7:00 PM	Initial Jobless Claims	730K	838K	861K	<b>Bullish</b>
26-Feb	EUR	1:15 PM	French GDP (QoQ) (Q4)		-1.3%	-1.3%	
	EUR	1:15 PM	French CPI (MoM)			0.10%	
	INR	5:15 PM	GDP Quarterly (YoY) (Q3)		0.5%	-7.5%	

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