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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

10 February 2021



From CEO's Desk

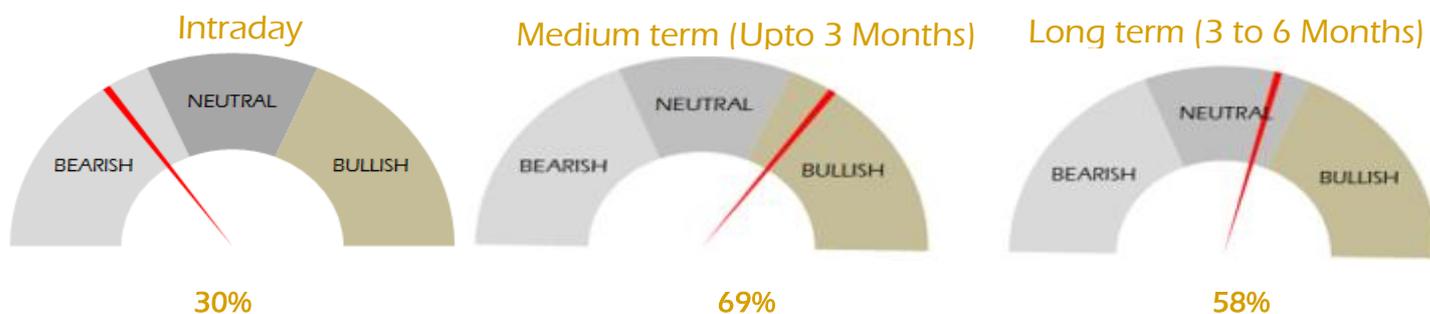


Mr. Abhishek Goenka

Global risk sentiment is holding up. The Dow ended the session flat yesterday. The Dollar continues to remain under pressure and has weakened overnight as short term rates remain anchored and higher inflation expectations keep US real rates under pressure. The Euro has followed up on post NFP rebound, breaching 1.21 and the Sterling too is threatening to break the upper end of its recent trading range of 1.3850. A move towards 1.42 on the Sterling looks possible. Onshore the tight intraday trading ranges in Rupee continue. The forward curve has been majorly compromised on account of the RBI trying to manage to juggle multiple objectives. The 1y forward yield yesterday touched 5.13% as the RBI continues to buy Dollars in spot and push the purchases forward. The Nifty reversed intraday yesterday. Domestic bonds had opened weak yesterday on the announcement of an additional Gsec auction to make for the auction that had got cancelled on Friday. Ahead of the Lunar New year holidays, data sets released by China show that factory activity grew at the slowest pace in five months in January, reflecting the outbreak's impact on production as well as services including logistics and transportation as the country sought to contain COVID-19. US Jan CPI is the major data to track today.

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

“ US job openings unexpectedly increase to a five-month high

- Senate votes to proceed with Trump `s impeachment trial
- Oil Rally Pauses after longest winning streak in two years
- China `s credit surges in January with record jump in loans
- Korea `s Unemployment at 21-year high as Millions jobs lost
- India backs AstraZeneca shot despite South Africa halt

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FX Outlook for the day

● **USDINR (RANGE- 72.76 - 73.04)**



USDINR made a flat opening today at 72.86 levels from its previous closing levels of 72.90. Risk on trade is lifting demand for riskier currencies whilst dragging on demand for safe havens such as the US Dollar. On the data front US JOLTS job openings unexpectedly increased to a 5-month high. The pair is likely to trade in a range between 72.74-73.04 for the day.



● **EURUSD (RANGE- 1.2075 - 1.2160)**



Euro traded higher to close at 1.2117 levels on worries that dollar has limited upside potential against the backdrop of massive monetary stimulus. The trial of former President Trump is also diverting attention away from stimulus speculation. Euro to trade in a range bound manner with a positive bias as markets would focus on German CPI and French Industrial Production.



● **GBPUSD (RANGE- 1.3750 - 1.3880)**



The Pound broke out yesterday to close at 1.3814 levels. US Dollar selling pressure was broad-based, though weakness relative to the Pound and Yen stood out as an outperformer. GBPUSD is likely to trade with a positive bias. Sterling is likely to react to US inflation numbers which would be released today and UK GDP data that will come out on Friday.



● **USDJPY (RANGE- 104.00 - 104.90)**



The yen strenghted to close at 104.57 levels. USD is likely to weaken due to doubts revolving a faster pandemic recovery in the US. Traders see massive fiscal spending coupled with continued ultra-easy Federal Reserve monetary policy which would drag the dollar over the long-run. Yen is likely to appreciate on account of heavy dollar selloff amid falling bond yields.



IFA Outlook

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Focus to be on US Jan CPI and Domestic Macro data set

	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	↑

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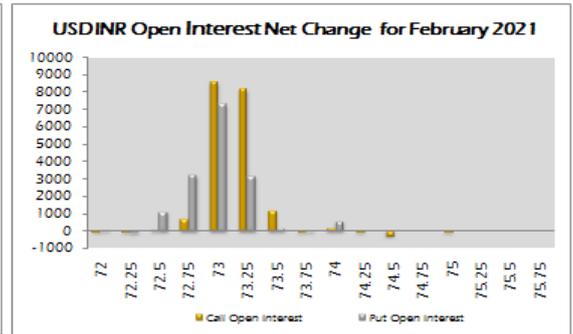
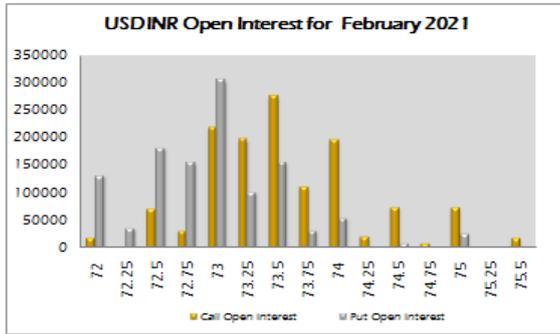
Activity Kurtosis

• USDINR Open Interest (February expiry)

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

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• FII activity against USDINR and Nifty

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FII's have so far infused \$33.15 billion in the Financial year 2020-21

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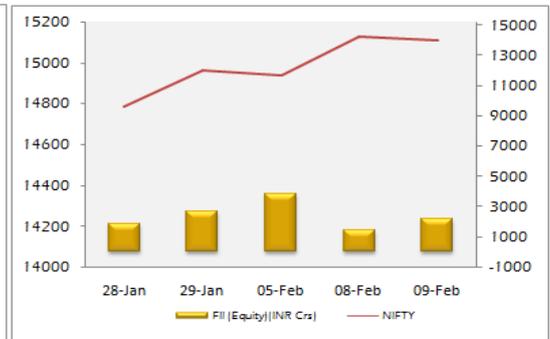
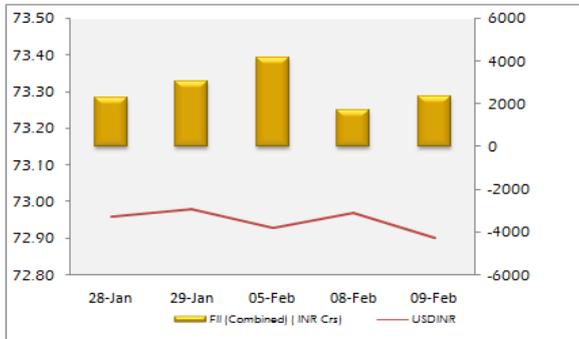


Chart of the Day

USDINR: 72.86

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USDINR made a gap-down opening today at 72.86 levels. Immediate resistance to be at 73.32 (Super trend). On the flipside, 72.81 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	0.12	0.21	0.31
EUR	-0.58	-0.58	-0.54	-0.50
JPY	0.04	-0.05	-0.05	0.04

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.24	1.05	3.75	7.24
EURINR	0.34	1.43	5.32	10.42
GBPINR	0.34	1.48	5.36	10.31
JPYINR	0.24	1.06	3.92	7.75

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	29960	1.64
	SHANGHAI	3631	0.78
	NIKKEI	29531	0.09
INDIA	SENSEX	51329	-0.04
	NIFTY	15109	-0.04
	CAC	5692	0.10
	DAX	14012	-0.34
	FTSE	6532	0.12
US	DOW	31376	-0.03
	NASDAQ	14008	0.14

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1840.72	4.70	0.26
SILVER (\$/ounce)	27.39	0.19	0.69
WTI Crude (\$/brl)	58.28	-0.08	-0.14
Dollar INDEX	90.43	-0.01	-0.01
Bloomberg ADXY	109.65	-0.01	-0.01

FPI INFLOWS	FY 2020-21	CY 2021	9-Feb-21
EQUITY	252,141	33,850	2,172
DEBT	-20,314	-3,262	-207
HYBRID	10,090	-105	-19
TOTAL	241,917	30,483	1,946

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

“ GBPINR pair is likely to face immediate resistance at 100.74 (R1) ”

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
9-Feb	EUR	12:30 PM	German Trade Balance	16.1B	14.2B	16.4B	Bullish
	EUR	2:30 PM	Italian Industrial Production MoM	-0.2%	2.1%	-1.4%	Bearish
	USD	8:30 PM	JOLTS Job Openings	6.65M	6.42M	6.53M	Bullish
10-Feb	CNY	7:00 AM	PPI YoY (Jan)	0.3%	0.4%	-0.4%	Bullish
	EUR	12:30 PM	German Final CPI MoM		0.8%	0.5%	
	EUR	1:15 PM	French Industrial Production MoM		0.2%	-0.9%	
	USD	7:00 PM	Core CPI YoY (Jan)		1.5%	1.6%	

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