



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

29 January 2020



From CEO's Desk



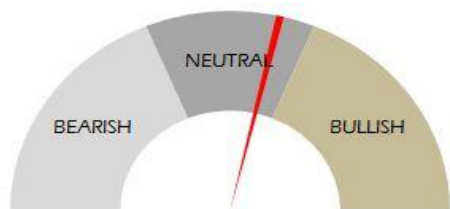
Mr. Abhishek Goenka

Global risk sentiment has recovered overnight despite the death toll from Coronavirus rising to 132 from 106. Today is the US Federal Reserve rate decision. The FOMC is expected to keep rates unchanged. It may lower the IOER (Interest on Excess Reserves) to ensure that the overnight Federal funds rate stays at the lower end of the targeted range. US Fed's purchase of treasuries is likely to continue until Q2. The balance sheet expansion is intended to impart USD liquidity into the system and balance the money markets. However, it is being viewed as QE by several market participants. If the Fed highlights a weakness in manufacturing and business fixed investment and sounds dovish, we could see the US Dollar give up some of its gains. Indication of rates remaining on hold for a prolonged period would be positive for EM assets and risk in general. Today is the Jan series currency derivative expiry. We may see some USD selling at RBI fix. Month-end exporter selling could cap upside in USDINR intraday. Likely range 71.10-71.40 with sideways price action. US and India are expected to sign a USD 10bn trade deal in February. This is being seen as a first step towards a free trade agreement between the two nations.

Strategy: Exporters are advised to partially hedge around 71.45 levels. Importers are advised to cover on dips towards 71.15 levels as we are nearing event risk i.e. Budget 2020. The 3M range for USDINR is 70.00 - 72.50 and the 6M range is 69.50 - 73.50.

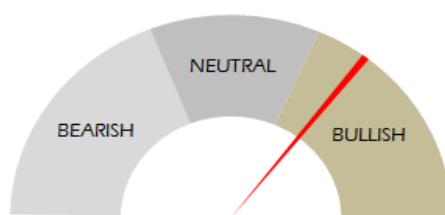
IFA Dollar- Rupee Sentiment Index

Intraday



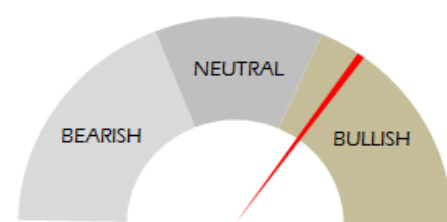
57%

Medium term (Upto 3 Months)



69%

Long term (3 to 6 Months)



70%

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.

News On The Street

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Risk sentiment recovers heading into FOMC tonight

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- India and US to finalise \$10bn trade deal ahead of President Trump visit in Feb
- OPEC aims to extend oil output cuts through June, alarmed by China virus
- U.S. to extend four sanctions waivers on Iran nuclear program
- China virus toll passes 130 as U.S. weighs flight ban
- Coronavirus has wiped \$1.5 trillion of the value of world stock markets since Jan20

FX Outlook for the day

● USDINR (RANGE- 71.10 - 71.40)



The USDINR pair opened lower at 71.22 levels amid easing worries over the China coronavirus outbreak on the Indian economy and hopes that the government will boost spending to revive growth. The rupee remains underpinned by increased expectations of an expansionary fiscal budget likely to be announced by the Indian government on Saturday. FOMC meet will be a key event for the day.



● EURUSD (RANGE- 1.0950 - 1.1065)



The EURUSD pair remained under pressure from past few sessions, the pair is trading marginally above the psychological mark of 1.1000. While upbeat US macro data keeps pushing the dollar higher. DXY is trading at an 11-month high around 98.00 levels. Later today, the US Federal Reserve will announce its latest decision on monetary policy. Technically, immediate resistance for the pair lies at 1.1050 levels.



● GBPUSD (RANGE- 1.2920 -1.3160)



The GBPUSD pair fell for a fourth consecutive day, currently trading at 1.3018 levels. The US dollar's broad strength amid risk-off also dragged the pair down. While the uncertainty surrounding the post-Brexit trade deal between the EU and the UK also weighed on the pair. Market participants await Thursday's key Bank of England (BoE) meeting, taking place a day before Britain finally leaves the EU.



● USDJPY (RANGE- 108.40- 109.80)



The USDJPY pair is hovering around 109.20 levels as coronavirus fears have subsided in the last 24 hours, allowing recovery in the pair. The overnight gains were extended further as Bank of Japan's minutes reiterated dovish bias. The pair, however, could slide if the Federal Reserve sounds dovish reviving expectations for interest rate cuts in 2020. Technically, 109.80 levels will act as immediate resistance.



IFA Outlook

“

| | Q4 FY 2019-20 | | Q1 FY 2020-21 | | Q2 FY 2020-21 | | Q3 FY 2020-21 | |
|----------|----------------|---|----------------|---|----------------|---|----------------|---|
| USDINR | 70.00-72.50 | ↑ | 69.50-72.50 | ↑ | 69.50 - 73.50 | ↑ | 69.50-74.50 | ↑ |
| \$ INDEX | 96.00- 99.00 | ↑ | 96.00- 100.00 | ↔ | 95.00- 100.00 | ↓ | 95.00- 100.00 | ↓ |
| EURUSD | 1.0900-1.1400 | ↔ | 1.1000-1.1500 | ↔ | 1.1000-1.1650 | ↑ | 1.1200-1.1800 | ↑ |
| GBPUSD | 1.2800-1.3600 | ↔ | 1.2600-1.3600 | ↓ | 1.2800-1.3800 | ↔ | 1.2800-1.3800 | ↔ |
| USDJPY | 106.50-111.00 | ↑ | 107.00-112.50 | ↓ | 105.00-110.00 | ↔ | 102.00-108.00 | ↔ |
| AUDUSD | 0.6600-0.7000 | ↓ | 0.6800- 0.7400 | ↔ | 0.7100- 0.7500 | ↔ | 0.7100- 0.7500 | ↔ |
| GOLD | \$1450- \$1620 | ↑ | \$1400- \$1650 | ↑ | \$1400- \$1800 | ↑ | \$1450- \$1800 | ↑ |

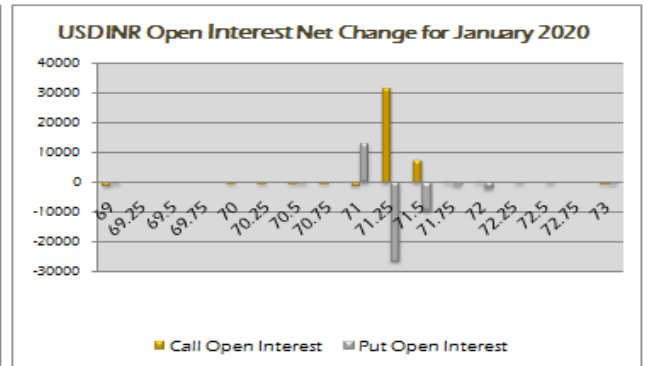
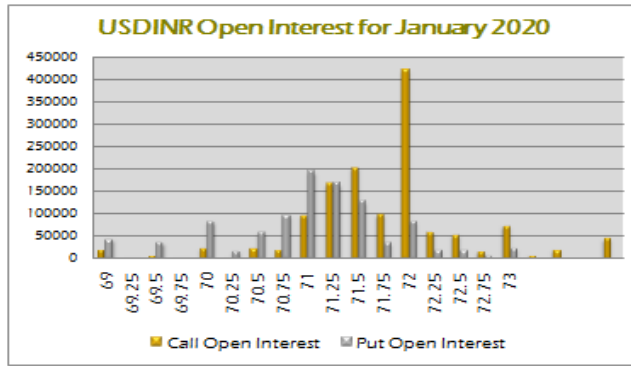
Central bank policies and Union Budget are the key upcoming events

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Activity Kurtosis

• USDINR Open Interest (January Expiry)

“ Highest OI for Call stands at 72.00 & Put at 71.00 strike price. Highest change in OI is seen at strike 71.25 Call and 71.00 Put on the expiry day ”



• FII activity against USDINR and Nifty

“ FIIs have so far infused \$11.69 billion in the Financial year 2019-20. ”

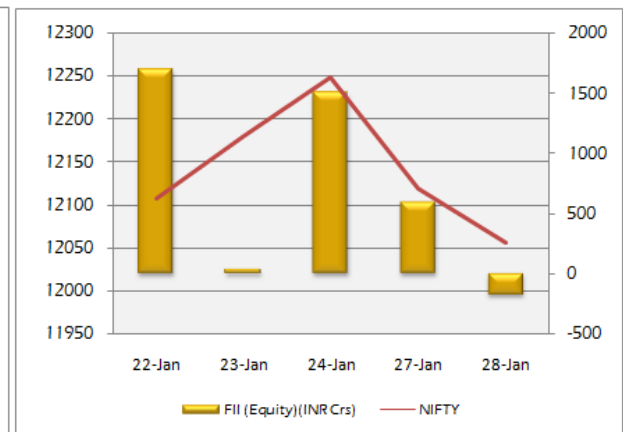
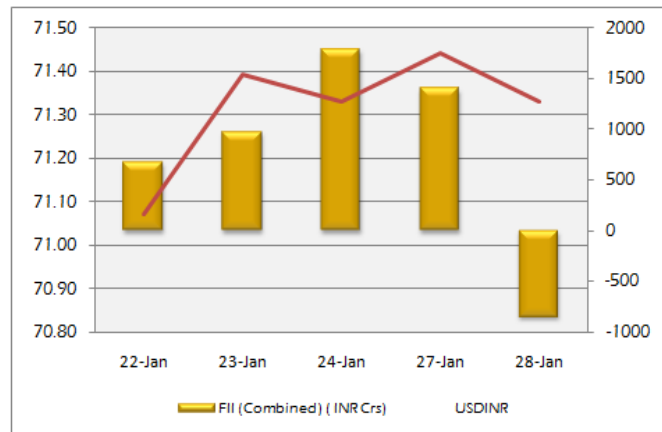
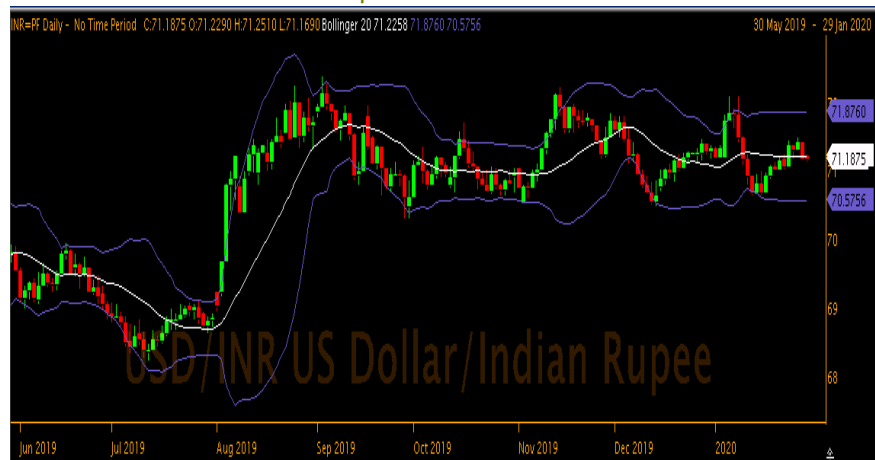


Chart of the Day

“ The USDINR pair opened marginally lower and currently hovering below the middle bollinger band of 71.23 levels. ”

USDINR Spot 71.20



Major Global Rates

LIBOR Rates

| LIBOR | ON | 1M | 6M | 1Y |
|-------|-------|-------|-------|-------|
| USD | 1.53 | 1.65 | 1.77 | 1.83 |
| EUR | -0.57 | -0.50 | -0.37 | -0.30 |
| JPY | 0.04 | -0.08 | 0.02 | 0.12 |

Rolling Forward Premiums

| MONTH | 1M | 3M | 1Y | 2Y |
|--------|------|------|------|-------|
| USDINR | 0.21 | 0.75 | 3.03 | 6.87 |
| EURINR | 0.37 | 1.27 | 5.12 | 11.13 |
| GBPINR | 0.35 | 1.23 | 4.98 | 10.88 |
| JPYINR | 0.29 | 1.01 | 4.12 | 9.03 |

Quick Glance

| REGION | GLOBAL INDICES | LAST | % CHANGE |
|--------|----------------|----------|----------|
| ASIA | HANG SENG | 27289.55 | -2.36 |
| | SHANGHAI | 2976.53 | -2.75 |
| | NIKKEI | 23359.21 | 0.62 |
| INDIA | SENSEX | 41200.43 | 0.57 |
| | NIFTY | 12126.15 | 0.58 |
| EUROPE | CAC | 5863.02 | 0.00 |
| | DAX | 13323.69 | 0.90 |
| | FTSE | 7480.69 | 0.93 |
| US | DOW | 28722.85 | 0.66 |
| | NASDAQ | 9269.68 | 1.43 |

| COMMODITIES/DI | LAST | CHANGE | % CHANGE |
|--------------------|---------|--------|----------|
| GOLD (\$/ounce) | 1565.48 | -3.00 | -0.19 |
| SILVER (\$/ounce) | 17.45 | -0.03 | -0.16 |
| WTI CRUDE (\$/bbl) | 54.16 | 0.68 | 1.27 |
| Dollar INDEX | 98.03 | 0.01 | 0.01 |
| Bloomberg ADXY | 105.05 | 0.03 | 0.03 |

| FPI INFLOWS | FY 2019-20 | CY 2020 | 28-Jan-20 |
|-------------|------------|---------|-----------|
| EQUITY | 67,908 | 13,725 | -174 |
| DEBT | 10,190 | -11,546 | -673 |
| HYBRID | 5,300 | -47 | -1 |
| TOTAL | 83,398 | 2,132 | -848 |

Figures are in INR Crores

Pivot Points

“ GBPINR pair is likely to find support at pivot(P) levels (92.51)

| Pivot | S2 | S1 | P | R1 | R2 |
|--------|-------|-------|-------|-------|-------|
| USDINR | 70.97 | 71.20 | 71.32 | 71.44 | 71.56 |
| EURINR | 78.11 | 78.35 | 78.59 | 78.91 | 79.15 |
| GBPINR | 91.07 | 91.81 | 92.51 | 93.25 | 93.95 |
| JPYINR | 64.54 | 65.06 | 65.33 | 65.60 | 65.87 |

”

Macro Monitor

| | Currency | Time (IST) | Major Global Events | Actual | Forecast | Previous | Impact |
|--------|----------|------------|---------------------------------------|--------------|----------|----------|---------|
| 27-Jan | USD | 7.00 PM | Core Durable Goods Orders (MoM) (Dec) | -0.1% | 0.2% | -0.4% | BEARISH |
| | USD | 8.30 PM | CB Consumer Confidence (Jan) | 131.6 | 128.0 | 128.2 | BULLISH |
| 29-Jan | USD | 8.30 PM | Pending Home Sales (MoM) (Dec) | | 0.5% | 1.2% | |
| | USD | 9.00 PM | Crude Oil Inventories | | 0.482M | -0.405M | |
| 30-Jan | USD | 12.30 AM | Fed Interest Rate Decision | | 1.75% | 1.75% | |

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