



# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

2 March 2020



## From CEO's Desk



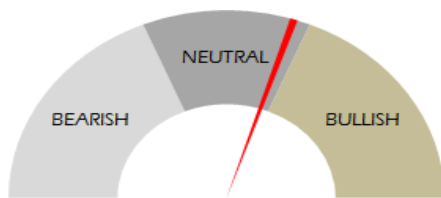
Mr. Abhishek Goenka

The risk sentiment has improved in the Asia session. Commodities and commodity currencies have recovered sharply. US yields however continue to plunge after Fed Chair Powell's comments that the Fed will act as appropriate to deal with Coronavirus induced threats to the economy. US 10y is precariously close to the 1% mark. The Market is pricing in 4 cuts by the Fed. The Chinese PMIs have fallen sharply in Feb. However, things seem to be returning to some kind of normalcy in China as indicated by other high-frequency data such as traffic. New Coronavirus cases emerging in the West is a matter of concern. Saudi is considering cutting crude production by 1mbpd. The other OPEC members and Russia are in agreement with the cuts. The OPEC meeting is scheduled to take place in Vienna this week in which cuts are expected to be announced. The exaggerated move on Friday was triggered on account of stops above 72 after a long period of range bound trading. Further global turmoil and negative headlines would be required to take the Rupee past the 72.50 mark. We see a low probability of the Rupee underperforming Asian and EM peers. After a tumultuous last week, we expect the volatility to subside. We may see some short covering in the near term taking the Nifty to 11450 levels. The overall view remains bearish.

**Strategy:** Exporters are advised to cover exposure on upticks towards 72.40 levels. Importers are advised to cover near term exposure on dips towards 71.85.

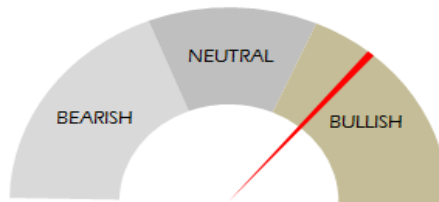
## IFA Dollar- Rupee Sentiment Index

### Intraday



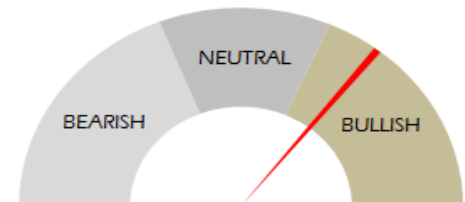
59%

### Medium term (Upto 3 Months)



76%

### Long term (3 to 6 Months)



75%

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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Domestic Manufacturing activity growth slows in Feb to 54.5 on weak demand

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- GST collection crosses Rs 1-trn mark for the fourth month in a row in Feb
- China's Manufacturing PMI tumbles to 35.7, worse than 2008
- US-Taliban deal brings hope of end to Afghan war
- EU calls emergency meeting on Turkey-Syria crisis
- Coronavirus cases mount as second person dies in U.S.

### FX Outlook for the day

● USDINR (RANGE- 72.00 - 72.40)



The exaggerated move of the USDINR pair on Friday was triggered on account of stops above 72 after a long period of range bound trading. Q3 GDP print came in at 4.7% (lowest print in 27 quarters) against market expectations of 4.6% and GVA growth came in at 4.5%. The Rupee would be under pressure but a run like move on the currency is not as likely, given the cushion of FX reserves.



● EURUSD (RANGE- 1.1000 - 1.1100)



Markets continue to price in the possibility of aggressive easing as the coronavirus-led sell-off in the US and global equity markets are showing no signs of containment in the near term. The primary reason behind the pair's rally in the last couple of sessions is the global dollar weakness. Considering the data divergence factor between EU - US, gains in EURUSD are likely to be limited.



● GBPUSD (RANGE- 1.2780 -1.2860)



Persistent uncertainty about the future UK-EU trade relationship continued weighing on the sentiment which led to massive selloff in the cable last week. The UK will start official trade negotiations with the EU this week which could lead to an increase in volatility this week. The direction from here will likely be driven by developments in trade negotiations.



● USDJPY (RANGE- 107.70 - 108.50)



The pair USDJPY slumped on Friday and scored a fresh four-month low of 107.50, before recovering back above the 108.00 level. The risk-off environment has been pressuring the pair. Trump administration is now considering special measures, like targeted tax cuts and additional push to the Fed for a rate cut due to mounting risks led by Coronavirus.



### IFA Outlook

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	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	97.50- 99.50	↑	97.00- 100.00	↔	95.00- 100.00	↓	95.00- 100.00	↓
EURUSD	1.0800-1.1200	↓	1.1000-1.1500	↔	1.1000-1.1650	↑	1.1200-1.1800	↑
GBPUSD	1.2800-1.3400	↓	1.2600-1.3600	↓	1.2800-1.3800	↔	1.2800-1.3800	↔
USDJPY	107.00-111.50	↑	106.00-111.00	↓	105.00-110.00	↔	102.00-108.00	↔
AUDUSD	0.6500-0.6900	↓	0.6500- 0.7000	↔	0.6450- 0.7100	↔	0.6800- 0.7500	↔
GOLD	\$1500- \$1700	↑	\$1500- \$1750	↑	\$1450- \$1800	↑	\$1450- \$1800	↑

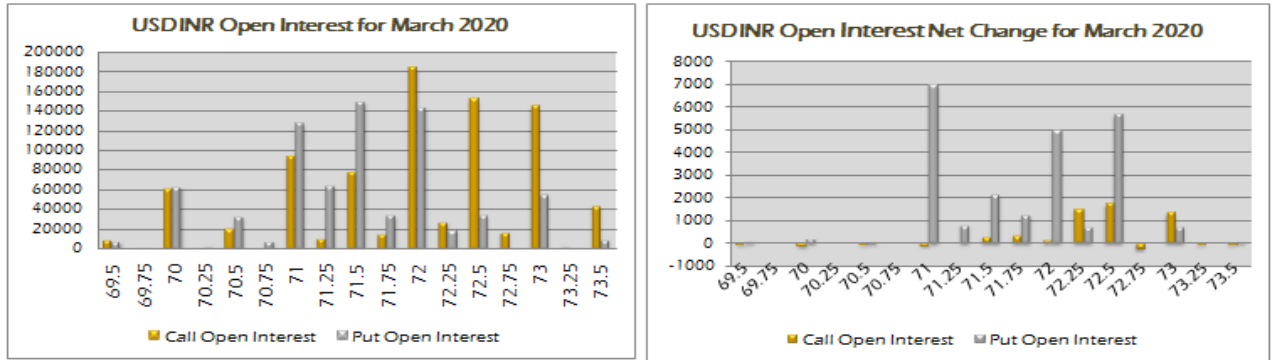
PMIs and headlines on Covid-19 are likely to influence the price action this week

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Activity Kurtosis

• USDINR Open Interest (March Expiry)

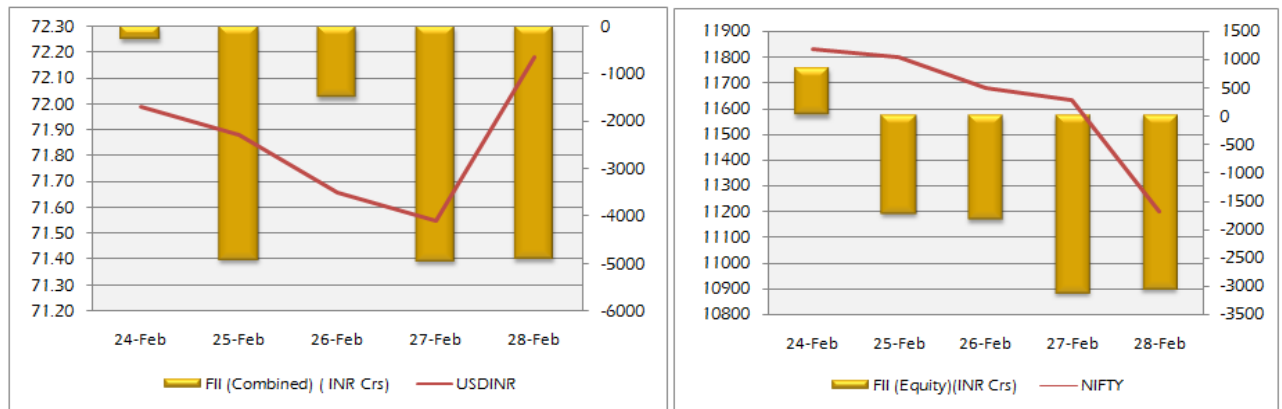
“ Highest OI for Call stands at 72.00 and Put at 71.00 & 71.50 strike price. Highest OI buildup is seen at 71.00, 72.00 and 72.50 strike Put



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• FII activity against USDINR and Nifty

“ FIIs have so far infused \$12.56 billion in the Financial year 2019-20

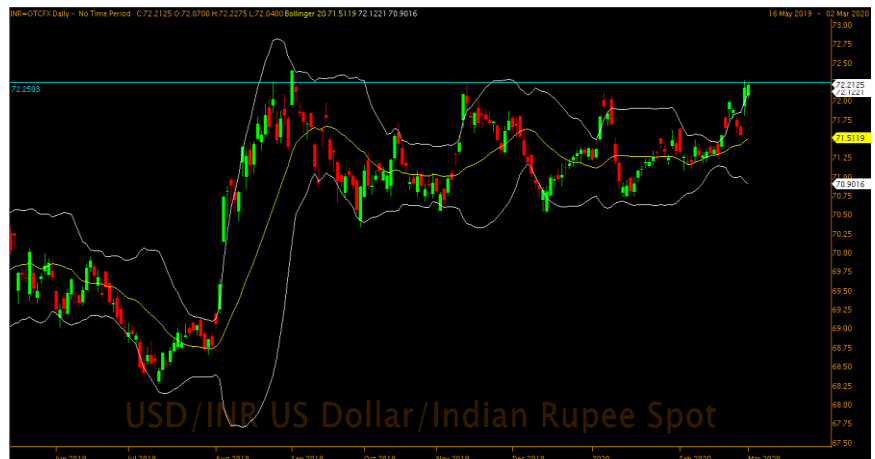


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Chart of the Day

USDINR Spot 72.20

“ The USDINR pair opened marginally lower today at 72.07 after clocking a 2 1/2 week high on Friday. Technical factors suggest bullish momentum to continue for the near term. Intraday, If the pair breaks 72.30, the next target would be 72.50.



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## Major Global Rates

## LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	1.57	1.52	1.40	1.38
EUR	-0.57	-0.53	-0.43	-0.35
JPY	0.04	-0.12	-0.04	0.04

## Rolling Forward Premiums

MONTH	1M	3M	1Y	2Y
USDINR	0.22	0.70	2.83	6.28
EURINR	0.39	1.17	4.54	9.68
GBPINR	0.35	1.08	4.11	8.80
JPYINR	0.31	0.93	3.65	7.91

## Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	26360.94	0.88
	SHANGHAI	2965.11	2.94
	NIKKEI	21494.43	1.66
INDIA	SENSEX	38844.06	1.43
	NIFTY	11349.05	1.31
EUROPE	CAC	5309.90	-3.38
	DAX	11890.35	-3.86
	FTSE	6580.61	-3.18
US	DOW	25409.36	-1.39
	NASDAQ	8567.37	0.01

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1599.24	13.27	0.84
SILVER (\$/ounce)	16.96	0.29	1.77
WTI CRUDE (\$/bbl)	46.24	1.48	3.31
Dollar INDEX	97.93	-0.04	-0.04
Bloomberg ADXY	103.75	0.25	0.24

FPI INFLOWS	FY 2019-20	CY 2020	28-Feb-20
EQUITY	68,125	13,943	-3,065
DEBT	14,832	-6,385	-1,834
HYBRID	7,717	2,370	1
TOTAL	90,674	9,928	-4,898

Figures are in INR Crores

## Pivot Points

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EURINR pair is likely to find resistance at R1 levels (80.27) as per the table

Pivot	S2	S1	P	R1	R2
USDINR	71.28	71.73	72.00	72.45	72.72
EURINR	76.53	77.94	78.86	80.27	81.19
GBPINR	90.91	91.46	92.52	93.07	94.13
JPYINR	63.10	64.87	65.92	67.69	68.74

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## Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
28-Feb	INR	5:30 PM	GDP Quarterly (YoY) (Q3)	<b>4.7%</b>	4.7%	5.1%	NEUTRAL
	EUR	6:30 PM	German CPI (MoM) (Feb)	<b>0.4%</b>	0.3%	-0.6%	BULLISH
2-Mar	CNY	7:15 AM	Caixin Manufacturing PMI (Feb)	<b>40.3</b>	45.7	51.1	BEARISH
	INR	10:30 AM	Nikkei Markit Manufacturing PMI (Feb)	<b>54.5</b>	52.8	55.3	BULLISH
	EUR	2:30 PM	Manufacturing PMI (Feb)		49.1	47.9	
	GBP	3:00 PM	Manufacturing PMI (Feb)		51.8	50.1	
	USD	8:30 PM	ISM Manufacturing PMI (Feb)		50.4	50.9	

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