



FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

13 November 2020

From CEO's Desk



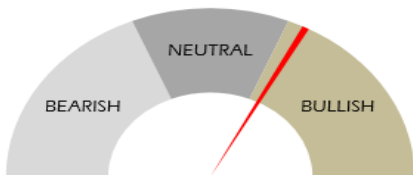
Mr. Abhishek Goenka

Risk sentiment has soured as investors turned their focus back to surging cases, possibility of fresh restrictions and delay in passage of second stimulus in the US. The Trump White House is stepping back from stimulus negotiations and it would now be up to the Congress to take it forward. In typical risk off moves, the US Dollar strengthened against commodity currencies while 10y US treasury yield fell 9 bps on safe haven demand; US equities were also down by 1-1.5%. Domestic CPI rose to 7.61% in Oct, higher than expectations of 7.3%, primarily on higher food inflation which could dampen sentiment in the bond markets. Sticky headline inflation and a combination of huge surplus banking system liquidity, higher trending crude prices, higher USD/INR may start becoming a bit disconcerting for inflation hawks. The FM yesterday announced a series of stimulus measures under Atmanirbhar 3.0. USDINR was well bid through yesterday's session. Today, we may see it trade in a range between 74.45 - 74.85. Nationalized banks could come in and offer Dollars around 74.90 on behalf of the RBI to smoothen volatility. US core CPI rose by less than expected in October while UK Q3 GDP data came in lower than expected which resulted in a correction in the recent Sterling move.

Strategy: Exporters are advised to build long term exposure in 74.60-75.50 range. Importers are advised to cover through options. The 3M range for USDINR is 73.00 – 75.40 and the 6M range is 73.00 – 76.00.

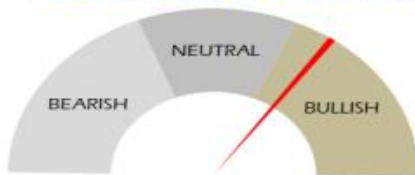
IFA Dollar- Rupee Sentiment Index

Intraday



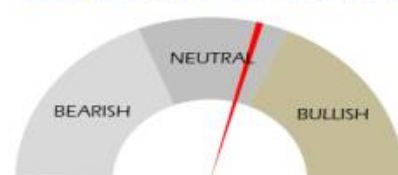
65%

Medium term (Upto 3 Months)



69%

Long term (3 to 6 Months)



58%

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

“

India expands stimulus to 15% of economy as recession looms.

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- U.S. labor market gradually healing; inflation still benign.
- Oil falls on coronavirus surge, unexpected U.S. crude stockpile rise.
- Bank of England's Bailey hopes for 'goodwill' after Brexit transition ends.
- China remains hopeful for IMF consensus on new SDR allocation.
- India's inflation moves up, RBI's December cut out of reach.

FX Outlook for the day

● USDINR (RANGE - 74.45 - 74.85)



USDINR opened at 74.61 levels while the domestic indices trade in red despite yesterday's stimulus announcement by the Finance Minister. The inflation print was the highest in the last 6 years which has already dampened sentiments in the bond market. A break above 74.70 could push the currency towards 74.85-90 levels where we could expect nationalised banks to offer dollars.



● EURUSD (RANGE- 1.1770 - 1.1870)



Euro traded in a range bound manner with a slight upward bias. The markets found no new direction from assorted comments by the central bankers from the U.S., Europe and Britain in a recent panel. They welcomed the encouraging results in vaccine trials but stressed that the economic outlook remained uncertain which perplexed the markets. Mixed trend in Euro is likely to continue.



● GBPUSD (RANGE- 1.3080 - 1.3160)



Yesterday, the Pound plunged towards 1.3109 levels owing to rising tensions as post-Brexit trade negotiations enter their final and most crucial phase. Markets discounted the release of Prelim GDP q/q data from the nation that came lower than the expected levels. Today, the lack of economic datasets from the nation shall keep the trading volumes lull in Pound.



● USDJPY (RANGE- 104.50 - 105.50)



Japanese Yen appreciated as rising coronavirus cases around the world and data showing inflation going nowhere in the United States kept the sentiments a bit cautious. Also, the total value of machinery orders received by 280 manufacturers operating in Japan decreased by 4.4% from the previous month. USDJPY is likely to trade in a range bound manner today.



IFA Outlook

	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22	Q2 FY 2021-22
USDINR	73.00-75.40 ↔	73.00-76.00 ↔	73.00 - 77.00 ↑	73.00-76.00 ↔
\$ INDEX	91.50- 95.00 ↓	73.00-76.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.1550-1.1950 ↑	1.1700-1.2200 ↑	1.2000-1.2400 ↑	1.2000-1.2400 ↑
GBPUSD	1.2700-1.3300 ↑	1.2800-1.3400 ↑	1.3300-1.3800 ↑	1.3300-1.3800 ↑
USDJPY	104.00-108.00 ↓	104.00-108.00 ↓	106.00-111.00 ↔	107.00-112.00 ↔
AUDUSD	0.7000-0.74.50 ↑	0.7100- 0.7500 ↑	0.7200- 0.7600 ↔	0.7200- 0.7600 ↔
GOLD	\$1800- \$2000 ↑	\$1800- \$2100 ↑	\$1700- \$2200 ↑	\$1700- \$2200 ↑

Focus today will be on the outcome of inflation numbers from India and the US

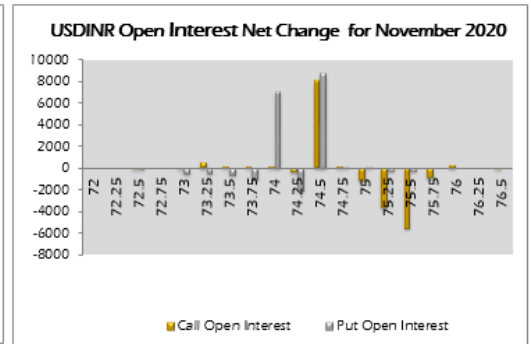
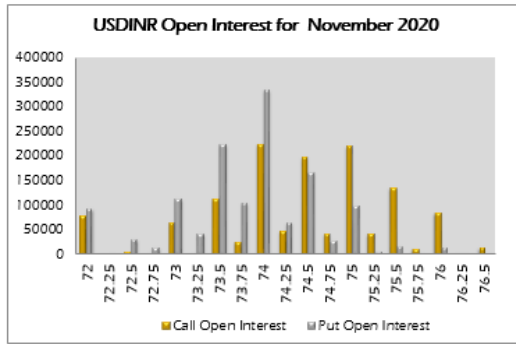
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Activity Kurtosis

• USDINR Open Interest (November expiry)

“ Highest OI for Call and Put is at 74.00. Highest OI intraday buildup for Call and Put is seen at 74.50

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• FII activity against USDINR and Nifty

“ FIIs have so far infused \$0.08 billion in the calendar year 2020

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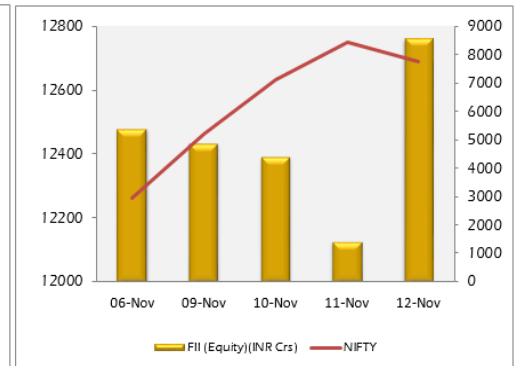
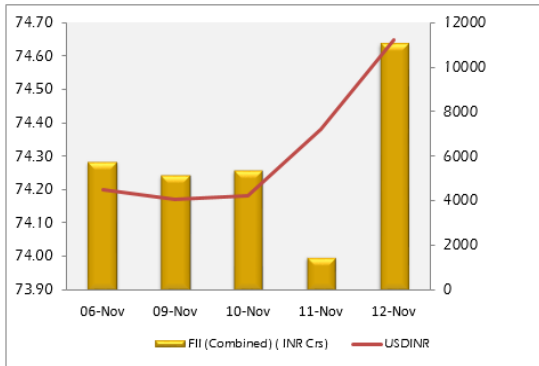


Chart of the Day

“ USDINR opened tad lower today at 74.61 level. Daily middle Bollinger band around 73.90 is likely to provide immediate support. On the flipside, falling trendline resistance near 74.80 is likely to cap the upside. Major technical indicators suggest neutral to bullish view for intraday.

”

USDINR: 74.61



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.14	0.25	0.34
EUR	-0.59	-0.57	-0.51	-0.45
JPY	0.04	-0.10	-0.06	0.05

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.18	0.64	3.05	6.61
EURINR	0.27	0.96	4.36	9.50
GBPINR	0.25	0.91	4.20	9.10
JPYINR	0.19	0.71	3.29	7.26

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	26043	-0.48
	SHANGHAI	3314	-0.75
	NIKKEI	25261	-1.02
INDIA	SENSEX	43107	-0.58
	NIFTY	12616	-0.59
US	CAC	5363	-1.52
	DAX	13053	-1.24
	FTSE	6339	-0.68
	DOW	29080	-1.08
	NASDAQ	11710	-0.65

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1876.20	0.54	0.03
SILVER (\$/ounce)	24.16	-0.09	-0.36
Brent (\$/bbl)	40.35	-0.77	-1.87
Dollar INDEX	92.98	0.01	0.02
Bloomberg ADXY	107.60	0.01	0.01

FPI INFLOWS	FY 2020-21	CY 2020	12-Nov-20
EQUITY	121795	73765	8580
DEBT	-20557	-83153	2495
HYBRID	7658	10009	-19
TOTAL	108896	621	11056

Figures are in INR Crores

Pivot Points

“ USDINR is likely to find immediate support at R1 (74.75) ”

Pivot	S2	S1	P	R1	R2
USDINR	73.32	73.76	74.31	74.75	75.30
EURINR	85.50	86.82	87.53	88.85	89.56
GBPINR	94.83	96.20	97.04	98.41	99.25
JPYINR	70.13	70.97	71.47	72.31	72.81

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
12-Nov	IND	5:30 PM	Industrial Production	0.2%	-3.2%	-8.0%	Bullish
	IND	5:30 PM	Inflation Rate YoY	7.61%	7.3%	7.34%	Bearish
	USD	7:00 PM	CPI m/m	0.0%	0.1%	0.2%	Bearish
	USD	7:00 PM	Unemployment Claims	709K	730K	757K	Bullish
13-Nov	EUR	3:30 PM	Flash GDP q/q		12.7%	12.7%	
	USD	7:00 PM	PPI m/m		0.2%	0.4%	

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