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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

30 September 2020

From CEO's Desk



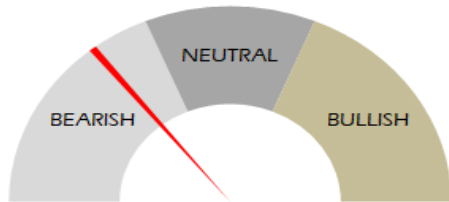
Mr. Abhishek Goenka

The US presidential debate was quite chaotic with both participants digressing from key themes many a time. The markets have not reacted much to the debate either as there is nothing conclusive it could glean from it. The focus over the next couple of days would be on the US job market. We have the ADP private payroll data today, jobless claims tomorrow and September NFP on Friday. If the recovery in job market is seen to be plateauing, a second fiscal stimulus package would become very important to sustain the recovery as spending power would take an enormous hit in Q4 in the absence of one. The US Dollar has weakened overnight. The Euro is back above the 1.17 handle. US real rates have moved lower. The Rupee continues to trade in the 73.50-73.90 range. We expect the range to hold today as well. There are several Inflows lines over the next few sessions and that should cap up side in USD/INR. Asian currencies are trading mixed. Markets would look forward to the borrowing calendar today. The nervousness in the bond markets seems to be mounting. The states are borrowing at higher spreads over central government securities. The spread between 10y SDLs and Gsecs which used to be 60bps couple of weeks back has widened to 90bps.

Strategy: Exporters have been advised to cover confirmed order on upticks. Importers are advised to cover through options. The 3M range for USD/INR is 72.50 – 74.50 and the 6M range is 72.50 – 75.40.

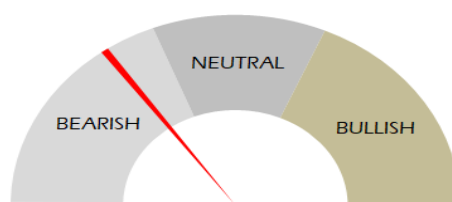
IFA Dollar- Rupee Sentiment Index

Intraday



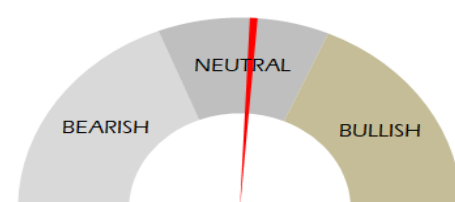
28%

Medium term (Upto 3 Months)



30%

Long term (3 to 6 Months)



51%

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 markets look forward to the H2 borrowing calendar

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- RBI extends enhanced borrowing limit for banks under MSF till March 31
- RBI move to keep yields low shakes bond market, leaves participants perplexed
- Trump, Biden blast each other on economy, coronavirus in fiery first debate
- Fears of a disputed US election fuel market volatility bets
- Renminbi set for best quarter since trade war began

FX Outlook for the day

● USDINR (RANGE- 73.50 - 73.90)



USDINR pair opened marginally lower today at 73.81, compared to previous close. Asian equities are mixed. Asian currencies are trading flat against USD. The pair continues to trade in the 73.50-73.90 range. We expect the range to hold today as well. There are several inflows lined up over the next few sessions and that should cap up side in USDINR. India fiscal deficit and IIP data due later today.



● EURUSD (RANGE- 1.1690 - 1.1780)



The EURUSD pair is currently trading at one week highs near 1.1750, having risen by 0.67% yesterday, biggest single-day percentage gain in a month. German CPI fell -0.2% in September after a -0.1% decline in August. The combination of an earlier re-opening and a less dovish central bank compared to the Fed had led to an aggressive expansion in Euro recently. Focus today will be entire Eurozone inflation data.



● GBPUSD (RANGE- 1.2800 - 1.2890)



After finding resistance of daily middle bollinger band level around 1.2900, GBPUSD retraced back to 1.2840. Hopes for a Brexit trade deal has maintained the Pound afloat, as representatives from the EU and the UK have said that a trade deal is still possible. However, no progress has been officially reported. Meanwhile, new restrictive measures have come into force from last weekend to control the pandemic.



● USDJPY (RANGE- 105.10 - 106.00)



As the first US Presidential election debate draws to a close, narrow trading range in USDJPY remains intact and the US dollar has come under pressure. The second debate is on October 7. U.S. GDP for the second quarter third reading is expected to remain at -31.7% on quarter, in line with the second quarter second reading. ADP survey on private jobs' creation, foreseen at 648K from 428K in August.



IFA Outlook

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Macro data, Brexit headlines and presidential debate to keep the markets volatile

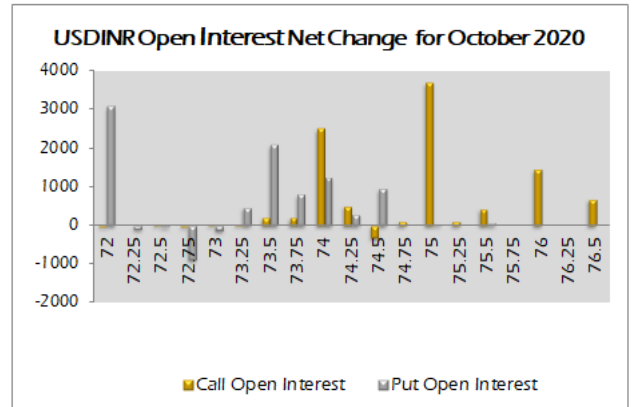
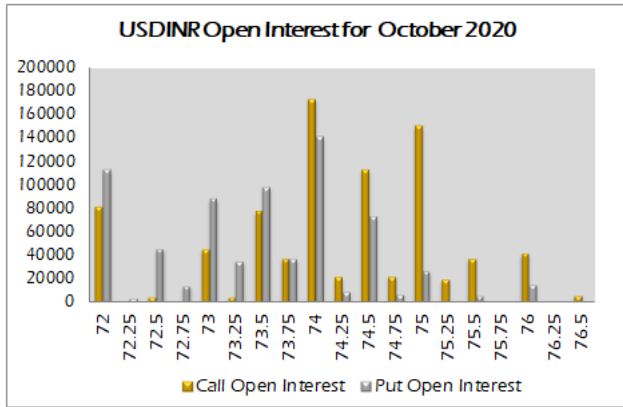
	Q2 FY 2020-21	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22
USDINR	72.50-74.50 ↓	72.50-75.50 ↓	73.00 - 77.00 ↔	73.00-76.00 ↔
\$ INDEX	91.50- 95.00 ↓	92.00- 96.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.1550-1.1950 ↔	1.1700-1.2200 ↑	1.2000-1.2400 ↑	1.2000-1.2400 ↑
GBPUSD	1.2600-1.3000 ↔	1.2800-1.3400 ↑	1.3300-1.3800 ↑	1.3300-1.3800 ↑
USDJPY	103.50-107.50 ↓	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 ↑

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Activity Kurtosis

• USDINR Open Interest (October expiry)

“ Highest OI for Call and Put is at 74.00. Highest OI intraday buildup is at 75.00 Call and 72.00 Put ”



• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$6.96 billion in the calendar year 2020 ”

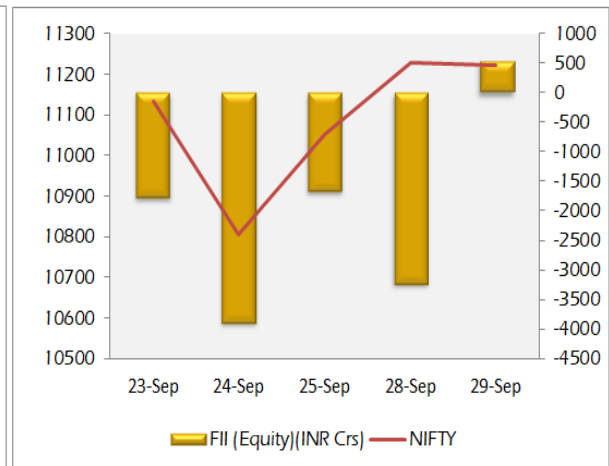
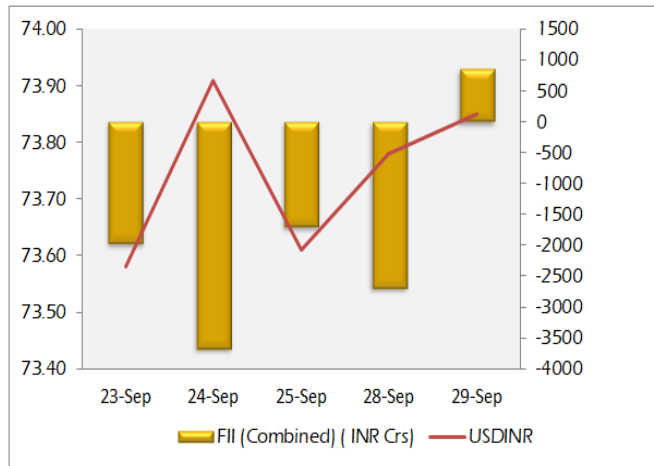


Chart of the Day

USDINR: 73.78

“ USDINR pair opened marginally lower today at 73.81. The daily middle bollinger band around 73.50 level to provide immediate support. Daily supertrend level as well as trendline resistance in the range of 74.05-74.10 to act as strong resistance zone. The intraday range for the pair is 73.50 - 73.90. ”



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.15	0.27	0.36
EUR	-0.59	-0.57	-0.50	-0.44
JPY	0.04	-0.08	-0.06	0.04

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.22	0.70	3.10	6.66
EURINR	0.31	1.02	4.39	9.43
GBPINR	0.30	0.97	4.18	8.97
JPYINR	0.23	0.77	3.33	7.26

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	23549	1.18
	SHANGHAI	3239	0.45
	NIKKEI	23263	-1.17
INDIA	SENSEX	37940	-0.09
	NIFTY	11210	-0.11
US	CAC	4832	-0.23
	DAX	12826	-0.35
	FTSE	5898	-0.51
	DOW	27453	-0.48
	NASDAQ	11085	0.29

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1896.00	-7.05	-0.36
SILVER (\$/ounce)	24.02	-0.40	-1.76
Brent (\$/brl)	40.56	-0.46	-1.12
Dollar INDEX	93.93	0.04	0.05
Bloomberg ADXY	105.11	-0.04	-0.04

FPI INFLOWS	FY 2020-21	CY 2020	29-Sep-20
EQUITY	77,443	29,413	524
DEBT	-28,630	-91,225	334
HYBRID	8,095	10,446	-3
TOTAL	56,908	-51,366	855

Figures are in INR Crores

Pivot Points

“ GBPINR is likely to find resistance at R1 level (95.06) ”

Pivot	S2	S1	P	R1	R2
USDINR	72.87	73.27	73.66	74.06	74.45
EURINR	84.44	85.06	86.18	86.80	87.92
GBPINR	92.07	92.98	94.15	95.06	96.23
JPYINR	69.06	69.43	70.09	70.46	71.12

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
29-Sep	EUR	5:30 PM	German CPI (MoM) (Sep)	-0.2%	-0.1%	-0.1%	Bearish
	USD	7:30 PM	CB Consumer Confidence (Sep)	101.8	89.2	84.8	Bullish
30-Sep	CNY	6:30 AM	Manufacturing PMI (Sep)	51.5	51.2	51.0	Bullish
	GBP	11:30 AM	GDP (QoQ) (Q2)		-20.4%	-2.2%	
	EUR	2:30 PM	CPI (YoY) (Sep)		-0.2%	-0.2%	
	USD	5:45 PM	ADP Nonfarm Employment Change (Sep)		650K	428K	
	USD	6:00 PM	GDP (QoQ) (Q2)		-31.7%	-5.0%	

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