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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

26 May 2020



From CEO's Desk



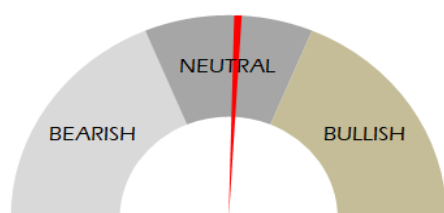
Mr. Abhishek Goenka

This truncated week is likely to be a week where USDINR price action is driven by flows. Bharti Telecom, parent company of Bharti Airtel is expected to offload a 2.75% stake worth USD 1bn via a block deal today and we could see inflows to fund the purchase over the next couple of days. A net inflow of ~USD 250mn is also expected on account of MSCI semi annual index rebalancing which will take effect from 1st June onwards. Inflows pertaining to Facebook's acquisition USD 5.7bn in Reliance Jio is also in the pipeline. If the USD is holding up globally, we can expect the central bank to absorb a significant portion of the inflows to further bolster FX Reserves. This could lend support to the USDINR pair. 1m USDHKD forward points also shot up on Friday. USDINR 1y forward points came off by around 15bps after the RBI rate cut on Friday. We could continue to see forwards remain under pressure. It will be interesting to see the cutoffs on the Rs 18200cr SDL auction today. The weekly statistical supplement indicated that the RBI did not purchase any government bonds in the secondary market in the week ended 15th May. It had purchased close to Rs 30000cr of government securities in each of the previous two weeks. Likely range 75.50-75.95 range. Asian currencies are stronger against the USD. Overall risk sentiment is positive. Asian stocks are positive. Hang Seng is up 2%.

Strategy: Exporters are advised to cover orders in hand around 76.00 levels. Importers are advised to cover on dips around 75.20-75.00. The 3M range for USDINR is 74.00 - 77.50 and the 6M range is 74.00 - 80.00.

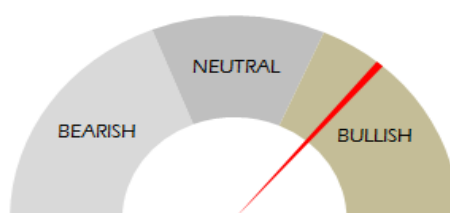
IFA Dollar- Rupee Sentiment Index

Intraday



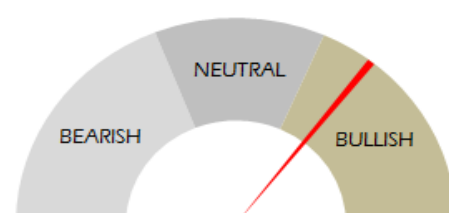
51%

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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USDINR price action to be flow driven this week

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- Bharti Airtel promoter to sell 2.75% stake worth \$ 1 bn via block deal
- NCDEX launches agriculture index futures
- Carrie Lam says security laws will not affect Hong Kong's rights and freedoms
- German business expectations pick up as lockdown is lifted
- Japan lifts Tokyo's state of emergency, eyes fresh stimulus

FX Outlook for the day

● USDINR (RANGE- 75.50 - 75.95)



The USDINR pair opened lower today at 75.69 compared to previous close at 75.95 on account of anticipated inflows over the week. Currently, the dollar index is trading lower by 0.26% to 99.60. However, if the USD is holding up globally, we can expect the central bank to absorb a significant portion of the inflows to further bolster FX Reserves preventing the downside of the pair.



● EURUSD (RANGE- 1.0870 - 1.0950)



EURUSD is trading around 1.09 as upbeat German IFO business figures failed to bring in buyers. The two main drivers providing more support for the Euro so far is building optimism that the euro-zone economy is through the worst of the COVID-19 crisis. Secondly and more importantly has been the Franco-German proposal for an EU Recovery Fund.



● GBPUSD (RANGE- 1.2170 - 1.2260)



Speculation that the Bank of England will set sub-zero borrowing costs is keeping the cable under pressure. PM announced that further lockdown easing will be considered in June. While COVID-19 statistics continue improving, they remain stubbornly high and may require a gradual process. Meanwhile, negotiators will try to advance toward an accord on future EU-UK relations.



● USDJPY (RANGE- 107.25 - 108.30)



With no major catalysts from US-China trade front, hopes of economic restart and no comments on Hong Kong from US President Donald Trump seem to favor mild risk-on sentiment. Bank of Japan's Kuroda while speaking in parliament warned about downside risks to Japan's economy. The pair rallied yen on BoJ Kuroda's dovish comments and improved risk sentiment.



IFA Outlook

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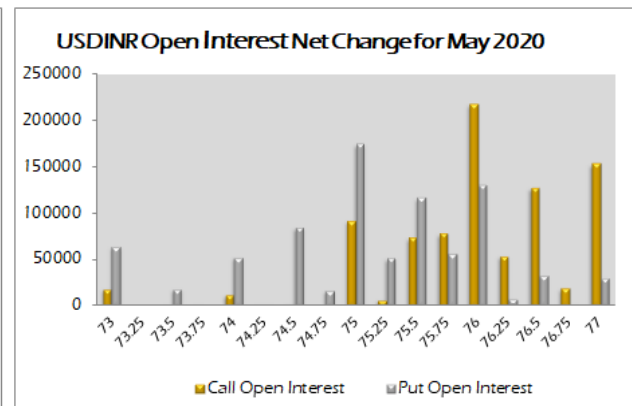
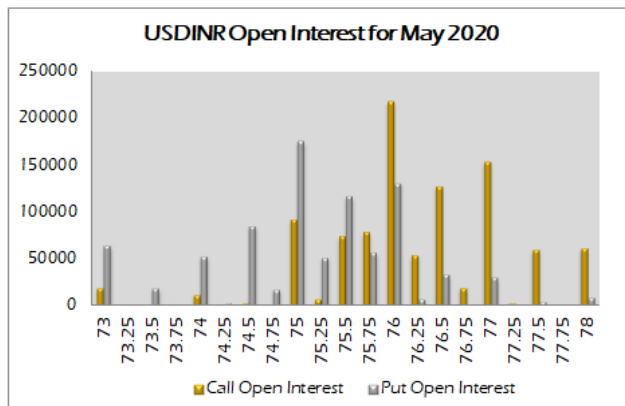
Developments on China Security Law Bill & US-China trade tensions will influence the risk sentiment.

		Q1 FY 2020-21		Q2 FY 2020-21		Q3 FY 2020-21		Q4 FY 2020-21	
	USDINR	74.00-77.20	↑	74.00-78.00	↑	74.00 - 80.00	↑	74.00-80.00	↑
	\$ INDEX	98.50- 101.50	↑	97.00- 100.00	↔	95.00- 100.00	↓	95.00- 100.00	↓
	EURUSD	1.0700-1.1250	↓	1.0600-1.1200	↓	1.1000-1.1650	↑	1.1200-1.1800	↑
	GBPUSD	1.2000-1.2600	↓	1.2000-1.2600	↔	1.2400-1.3000	↑	1.2600-1.3200	↑
	USDJPY	105.50-110.00	↓	105.00-109.00	↓	106.00-111.00	↔	107.00-112.00	↔
	AUDUSD	0.6100-0.6600	↓	0.6300- 0.6900	↔	0.6450- 0.7100	↔	0.6800- 0.7500	↔
	GOLD	\$1580- \$1840	↑	\$1600- \$1900	↑	\$1550- \$1850	↑	\$1450- \$1800	↑

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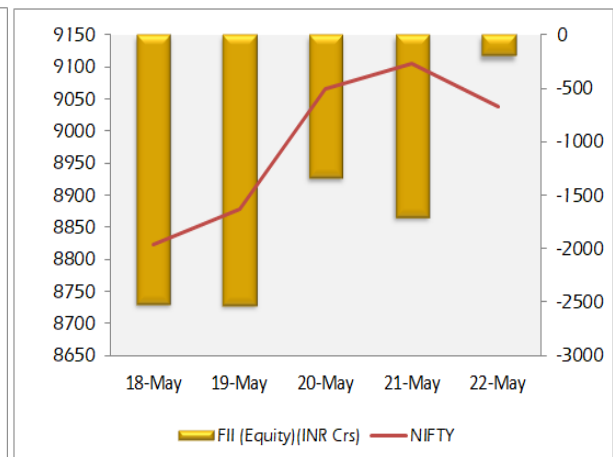
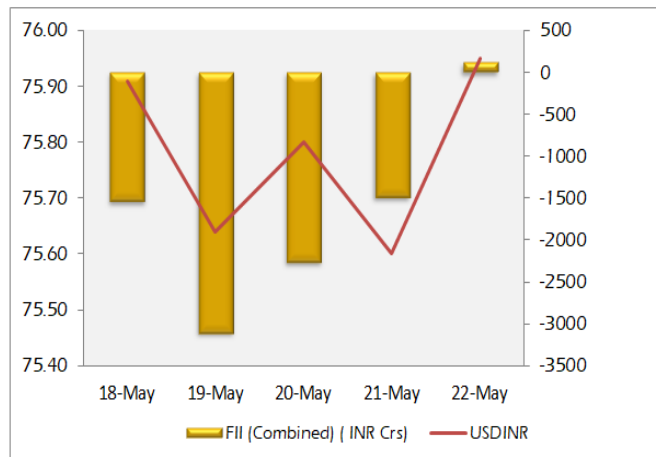
Activity Kurtosis

• USDINR Open Interest (May expiry)



Highest OI for Put stands at 75.00 and for Call stands at 76.00. Highest OI intraday buildup is also at 75.00 Put and 76.00 call

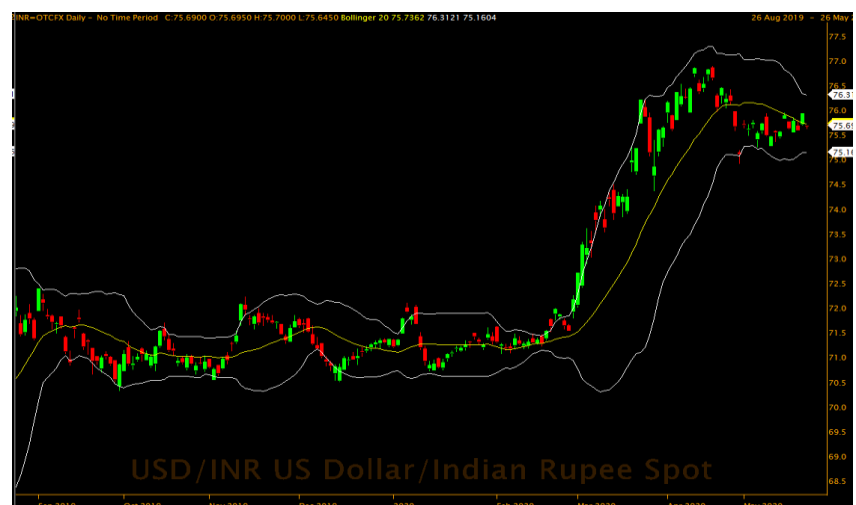
• FII activity against USDINR and Nifty



FIIs have so far withdrawn \$17.43 billion in the calendar year 2020

Chart of the Day

USDINR Spot: 75.70



Last week, the pair gave a closing above daily middle bollinger band level of 75.75, but lacked the momentum to cross 76.00 psychological mark. The pair opened lower today at 75.69. Upside is likely to remain capped around 76.00 mark. On the flipside, 75.50 level to provide intraday support.

Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.06	0.17	0.57	0.68
EUR	-0.57	-0.46	-0.13	-0.08
JPY	0.04	-0.07	0.02	0.12

Rolling Forward Premiums (in paise)

MONTH	1M	3M	6M	1Y
USDINR	23	68	140	291
EURINR	26	85	183	394
GBPINR	25	82	175	377
JPYINR	2111	6994	14946	32641

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	23370	1.82
	SHANGHAI	2838	0.71
	NIKKEI	21247	2.44
INDIA	SENSEX	30985	1.02
	NIFTY	9140	1.11
EUROPE	CAC	4539	2.15
	DAX	11391	2.87
	FTSE	5993	-0.37
US	DOW	24465	-0.04
	NASDAQ	9325	0.43

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1735.00	0.05	0.01
SILVER (\$/ounce)	17.38	0.29	1.72
Brent (\$/brl)	36.02	0.49	1.38
Dollar INDEX	99.63	-0.24	-0.24
Bloomberg ADXY	101.50	0.11	0.11

FPI INFLOWS	FY 2020-21	CY 2020	22-May-20
EQUITY	2,206	-45,825	-206
DEBT	-26,886	-89,481	323
HYBRID	547	2,898	2
TOTAL	-24,133	-1,32,408	119

Figures are in INR Crores

Pivot Points

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USDINR pair is likely to find support around 75.55 (\$1)
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Pivot	S2	S1	P	R1	R2
USDINR	75.14	75.55	75.80	76.21	76.46
EURINR	81.42	82.10	82.63	83.31	83.84
GBPINR	90.88	91.67	92.34	93.13	93.80
JPYINR	69.51	70.02	70.47	70.98	71.43

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
25-May	EUR	11:30 AM	German GDP (QoQ) (Q1)	-2.2%	-2.2%	-0.1%	Neutral
	EUR	11:30 AM	German Ifo Business Climate Index (May)	79.5	78.3	74.2	Bullish
26-May	USD	7:30 PM	CB Consumer Confidence (May)		88.0	86.9	
	USD	7:30 PM	New Home Sales (MoM) (Apr)		-21.9%	-15.4%	

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