



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

2 December 2020



From CEO's Desk

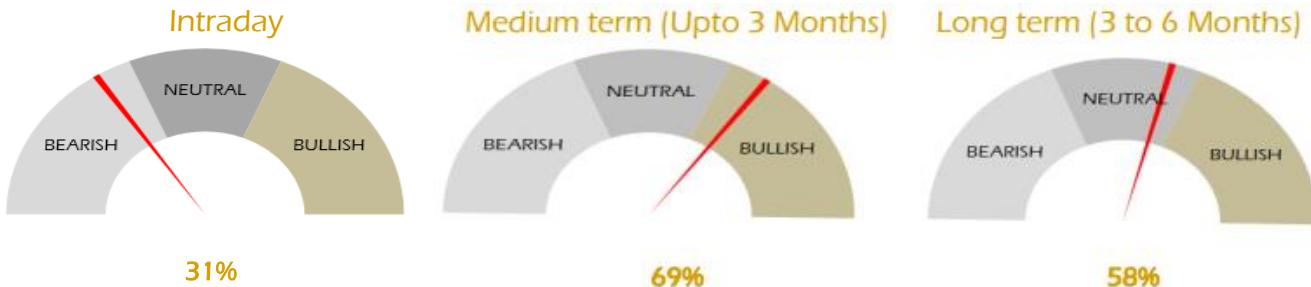


Mr. Abhishek Goenka

Global risk sentiment continues to remain upbeat with Dow, S&P and NASDAQ hitting new record highs. Record low real rates across the globe is causing the huge amounts of liquidity infused by central banks to chase riskier assets. Safe haven assets such as the US treasuries, DXY and the Yen are underperforming. Fed chair Powell in his testimony to the Senate Banking Committee said the US economy continues to remain in a 'damaged and uncertain state' despite progress on the vaccine front. Reluctance to read anything at all into the recent recovery suggests that the Fed is likely to remain in ultra dovish mode for the foreseeable future. On the domestic front, Cash USD inflows related to MSCI index rebalancing along with aggressive selling by foreign custodian banks caused the Rupee to strengthen. Nationalized banks who had been supporting USDINR were missing in action for most part of the session, causing a brisk move lower to 73.44. Nationalized banks stepped in towards the end of session to get USDINR to close at 73.66. We may see outflows related to MSCI index rebalancing today. The reaction function of the central bank will be interesting to see. We expect the Rupee to trade between 73.35-73.70 range.

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



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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Dollar hovers near 2-1/2 low as traders eye U.S. stimulus talks

- US inflation expectations jump to highest since July 2019
- Oil prices drop on U.S. stock build, delay in OPEC+ meeting
- PBOC is injecting CNY 10 bln via seven-day reverse repo operations
- India's unemployment rate declines to 6.51% in Nov : CMIE
- SEBI eases compliance norms for brokers, depository participants

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FX Outlook for the day

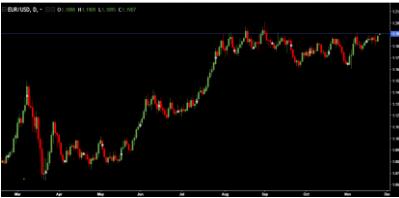
● USDINR (RANGE - 73.35 - 73.70)



USDINR made a gap down opening at 73.45 owing to huge influx of funds coupled with dollar selling by foreign custodian banks. The currency is expected to trade in a range bound manner with a slight positive bias tracking broad dollar decline amid focus on fresh U.S. fiscal stimulus talks. There could be some outflows related to MSCI index rebalancing today.



● EURUSD (RANGE- 1.1960 - 1.2140)



EURUSD broke the key 1.20 levels pushing the DXY to lower levels as investors' appetite for risk increased on prospects of further fiscal stimulus from the US. Negative inflation in EU is pushing real yield up in the region; contributing to EURUSD strength. Markets shall remain cautious ahead of the important economic datasets from the zone which shall influence the trend of the Euro.



● GBPUSD (RANGE- 1.3350 - 1.3550)



Sterling made an upward move amidst signs trade negotiators continued to inch towards agreeing a post-Brexit trade deal, aided by positive comments by Germany's Angela Merkel. Going forward, GBPUSD is likely to trade in a range bound manner with a slight positive bias on back of weaker DXY. However, Brexit discussions shall restrict sharp gains in the Pound.



● USDJPY (RANGE- 103.80 - 105.20)



Japanese Yen weakened as demand for riskier assets surged. Wall Street indexes closed at record highs as investors grow increasingly hopeful about a vaccine to combat rising COVID-19 cases and an economic recovery. USDJPY is likely to weaken slightly as risk currencies held onto gains on improving risk appetite as traders eye U.S. stimulus talks.



IFA Outlook

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RBI Policy, Fed Testimony & OPEC+ Meeting will be key events for the week

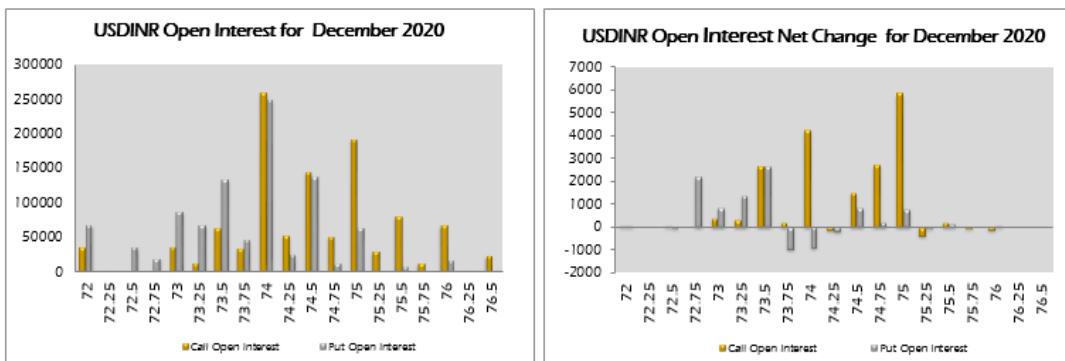
Q3 FY 2020-21 Q4 FY 2020-21 Q1 FY 2021-22 Q2 FY 2021-22

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 ↑

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Activity Kurtosis

- USDINR Open Interest (December expiry)



- FII activity against USDINR and Nifty

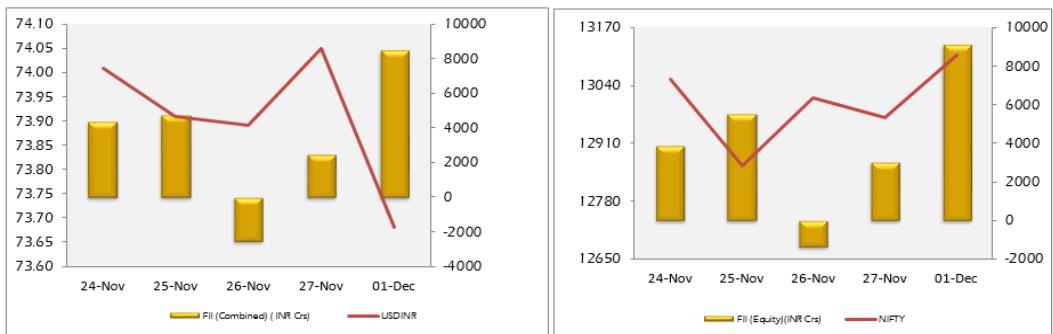


Chart of the Day

USDINR: 73.45



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FIIs have so far infused \$5.51 billion in the calendar year 2020
2020

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USDINR made a gap down opening today at 73.45 levels below the lower bollinger band at 73.70. Major technical indicators suggest neutral to bearish view for intraday

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Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.15	0.26	0.33
EUR	-0.59	-0.59	-0.52	-0.48
JPY	0.04	-0.12	-0.06	0.05

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.22	0.65	3.19	6.88
EURINR	0.36	1.00	4.65	10.04
GBPINR	0.35	0.96	4.49	9.65
JPYINR	0.27	0.73	3.45	7.50

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	26528	-0.15
	SHANGHAI	3452	-0.01
	NIKKEI	26756	-0.12
INDIA	SENSEX	44655	1.15
	NIFTY	13109	1.08
	CAC	5582	1.14
	DAX	13382	0.69
	FTSE	6385	1.89
US	DOW	29824	0.63
	NASDAQ	12355	1.28

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1810.53	0.33	0.02
SILVER (\$/ounce)	23.65	-0.17	-0.70
WTI Crude (\$/bbl)	44.01	-0.54	-1.21
Dollar INDEX	91.19	-0.12	-0.13
Bloomberg ADXY	108.51	0.12	0.11

FPI INFLOWS	FY 2020-21	CY 2020	1-Dec-20
EQUITY	165408	117379	9132
DEBT	-24219	-86815	-624
HYBRID	7702	10053	-4
TOTAL	148891	40617	8504

Figures are in INR Crores

Pivot Points

Pivot	S2	S1	P	R1	R2
USDINR	73.54	73.80	74.01	74.26	74.47
EURINR	87.04	87.77	88.18	88.91	89.32
GBPINR	97.69	98.10	98.68	99.09	99.67
JPYINR	70.23	70.69	71.11	71.57	71.99

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Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
1-Dec	INR	10:30 AM	Markit Manufacturing PMI	56.30	57.0	58.9	Bearish
	EUR	3:30 PM	CPI Flash Estimate y/y	-0.30%	-0.2%	-0.3%	Bearish
	USD	8:30 PM	ISM Manufacturing PMI	57.50	57.9	59.3	Bearish
2-Dec	EUR	12:30 PM	German Retail Sales		1.3%	-2.2%	
	EUR	3:30 PM	Unemployment Rate		8.4%	8.3%	
	USD	6:45 PM	ADP Non-Farm Employment Change		433K	365K	

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