



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

28 December 2020

## From CEO's Desk

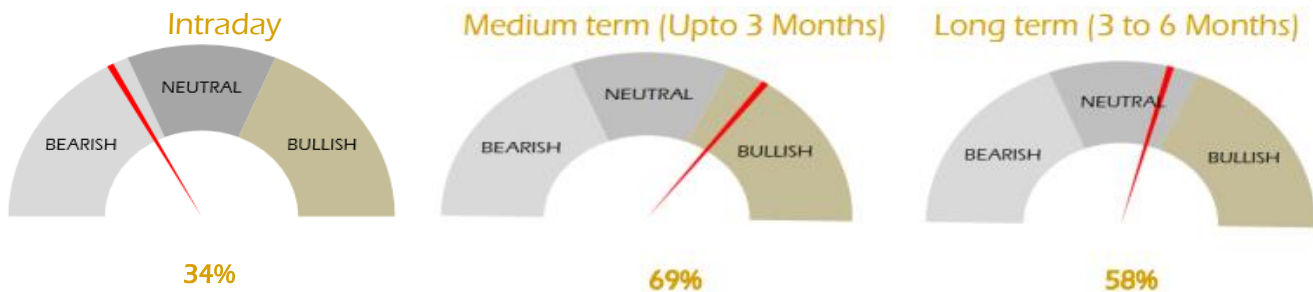


Mr. Abhishek Goenka

The two themes that had been dominating the global macroeconomic landscape over the past many weeks were the US fiscal stimulus and EU-UK trade negotiations. There was breakthrough on both the themes last week. The US Congress passed the \$900bn stimulus package and the EU and the UK managed to reach a trade agreement. As far as the EU-UK trade agreement is concerned, the devil would lie in the details. While a EU-UK trade agreement would avoid disruptions and ensure continuity for businesses over the short term, there are questions over how the enforcement of the deal would be ensured over the longer run and how would disputes be resolved. President Trump just signed the bill yesterday which means the government shutdown has been averted. PBoC has injected a lot of liquidity into the banking system. Chinese bond yields have moved lower. On domestic front, the December currency derivative expiry on Friday will be interesting, given the high open interest due to RBI intervention. Rupee to trade in a 73.40-73.70 range intraday.

**Strategy:** Exporters are advised to cover a part of their exposure on upticks to 73.80-73.90. Importers are advised to cover on dips to 73.40-73.50. 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

“

Dollar dithers in thin trade as Trump passes aid package

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- Brexit trade pact raises chances of India-UK FTA
- Japan Nov factory output growth stalls after rising for 5 months
- Manufacturing firms log 'softer contraction' in sales at 4.3% in Q2 FY21
- India to become 5th largest economy in 2025, 3rd largest by 2030
- India cancels benchmark bond sale in yet another yield signal

## FX Outlook for the day

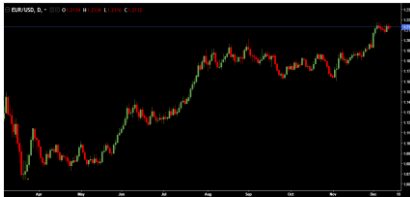
## ● USDINR (RANGE - 73.40 - 73.70)



Rupee made a flat opening at 73.51 levels. It is expected to trade in a range bound manner with a slight positive bias against the dollar tracking an uptick in Asian currencies after U.S. President Donald Trump signed a fiscal stimulus bill. Onshore bonds are likely to rally as the RBI announced a Rs 10000crs OMO twist last week. 73.40 is an extremely crucial support for USDINR.



## ● EURUSD (RANGE- 1.2180 - 1.2260)



Euro currency has moved higher after the EU and the UK managed to reach a trade agreement. Going forward, Euro currency is expected to trade in a range bound manner with a slight bullish bias. Europe has launched a mass COVID-19 vaccination drive to see off a pandemic that has crippled economies and claimed more than 1.7 million lives worldwide.



## ● GBPUSD (RANGE- 1.3500 - 1.3680)



Sterling made a bullish move in the last week's trading session. Britain has urged businesses to prepare for Brexit, after the country clinched a trade deal with the EU that preserved zero-tariff and zero-quota access to the bloc's single market. Pound is expected to trade on a lull mode with an upside bias as major markets remain shut on account of New year holidays.



## ● USDJPY (RANGE- 103.00 - 104.00)



Japanese Yen traded in a range bound manner with a slight positive bias amid global dollar weakness. However, Japan's industrial output growth stalled in Nov after rising for five months. Mixed trend in USDJPY is likely to continue for sometime as lack of fresh cues shall leave no room for speculations for investors. Also, Japan has banned the entry of most foreigners till Jan end.



## IFA Outlook

“

Markets to trade on a lighter note amid holiday season and no major event in the coming 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 | 89.00 - 95.00 ↓   | 91.20- 95.00 ↔   | 95.00- 100.00 ↓  | 95.00- 100.00 ↓  |
| EURUSD   | 1.1850-1.2250 ↑   | 1.1700-1.2200 ↑  | 1.2000-1.2400 ↑  | 1.2000-1.2400 ↑  |
| GBPUSD   | 1.2700-1.3650 ↑   | 1.2800-1.3400 ↑  | 1.3300-1.3800 ↑  | 1.3300-1.3800 ↑  |
| USDJPY   | 103.00 - 106.00 ↓ | 104.00-108.00 ↓  | 106.00-111.00 ↔  | 107.00-112.00 ↔  |
| AUDUSD   | 0.7000-0.7650 ↑   | 0.7100- 0.7500 ↑ | 0.7200- 0.7600 ↔ | 0.7200- 0.7600 ↔ |
| GOLD     | \$1800- \$2000 ↑  | \$1800- \$2100 ↑ | \$1700- \$2200 ↑ | \$1700- \$2200 ↑ |

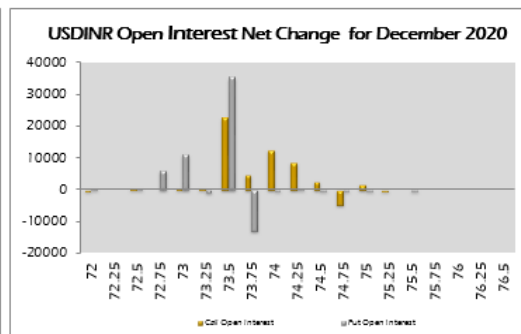
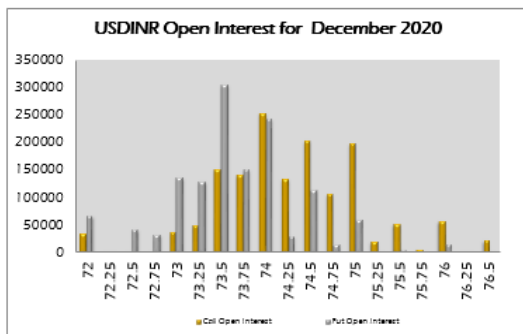
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## Activity Kurtosis

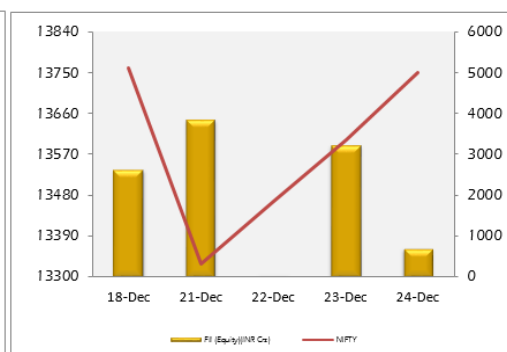
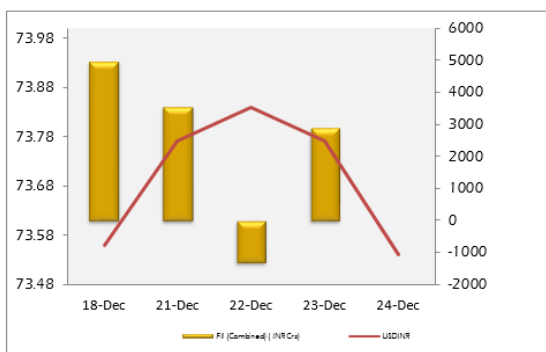
## • USDINR Open Interest (December expiry)

“ Highest OI for Call is seen at 74.00 and for Put at 73.50. Highest OI intraday buildup up for Call & Put is seen at 73.50.



## • FI activity against USDINR and Nifty

“ FIs have so far infused \$12.89 billion in the calendar year 2020



## Chart of the Day

USDINR: 73.51

“ USDINR made a flat opening today at 73.51 levels. Immediate resistance lies at the middle bollinger band at 73.69 levels. On the flipside, the immediate support for the currency to be at the lower bollinger band at 73.40. Major technical indicators suggest neutral view for intraday.



## Major Global Rates

## LIBOR Rates

| LIBOR | ON    | 1M    | 6M    | 1Y    |
|-------|-------|-------|-------|-------|
| USD   | 0.08  | 0.15  | 0.27  | 0.34  |
| EUR   | -0.59 | -0.60 | -0.53 | -0.48 |
| JPY   | 0.04  | -0.08 | -0.06 | 0.05  |

## Rolling Forward Premiums (in paise)

| MONTH  | 1M   | 3M   | 1Y   | 2Y    |
|--------|------|------|------|-------|
| USDINR | 0.24 | 0.67 | 3.24 | 7.19  |
| EURINR | 0.37 | 1.01 | 4.73 | 10.45 |
| GBPINR | 0.37 | 0.99 | 4.63 | 10.18 |
| JPYINR | 0.24 | 0.73 | 3.49 | 7.82  |

## Quick Glance

| REGION | GLOBAL INDICES | LAST  | % CHANGE |
|--------|----------------|-------|----------|
| ASIA   | HANG SENG      | 26391 | 0.02     |
|        | SHANGHAI       | 3407  | 0.30     |
|        | NIKKEI         | 26805 | 0.56     |
| INDIA  | SENSEX         | 47261 | 0.61     |
|        | NIFTY          | 13842 | 0.68     |
|        | CAC            | 5522  | -0.10    |
| US     | DAX            | 13587 | 1.26     |
|        | FTSE           | 6502  | 0.10     |
|        | DOW            | 30200 | 0.23     |
|        | NASDAQ         | 12805 | 0.26     |

| COMMODITIES/DI     | LAST    | CHANGE | % CHANGE |
|--------------------|---------|--------|----------|
| GOLD (\$/ounce)    | 1894.16 | 14.97  | 0.80     |
| SILVER (\$/ounce)  | 26.57   | 0.77   | 2.99     |
| WTI Crude (\$/bbl) | 48.10   | -0.13  | -0.27    |
| Dollar INDEX       | 90.18   | -0.03  | -0.04    |
| Bloomberg ADXY     | 108.93  | 0.14   | 0.13     |

| FPI INFLOWS | FY 2020-21 | CY 2020 | 27-Dec-20 |
|-------------|------------|---------|-----------|
| EQUITY      | 212918     | 164889  | 699       |
| DEBT        | -20143     | -82739  | -699      |
| HYBRID      | 10260      | 12611   | -25       |
| TOTAL       | 203035     | 94761   | -25       |

Figures are in INR Crores

## Pivot Points

USDINR pair is likely to take immediate support at 73.40 (S1)

| Pivot  | S2    | S1    | P     | R1     | R2     |
|--------|-------|-------|-------|--------|--------|
| USDINR | 73.26 | 73.40 | 73.67 | 73.81  | 74.08  |
| EURINR | 88.75 | 89.23 | 89.86 | 90.34  | 90.97  |
| GBPINR | 95.95 | 98.10 | 99.49 | 101.64 | 103.03 |
| JPYINR | 70.43 | 70.65 | 71.07 | 71.29  | 71.71  |

## Macro Monitor

|        | Currency | Time (IST) | Major Global Events              | Actual | Forecast | Previous | Impact  |
|--------|----------|------------|----------------------------------|--------|----------|----------|---------|
| 26-Dec | JPY      | 5:20 AM    | SPPI YoY                         | -0.60% | -0.60%   | -0.50%   | Neutral |
| 28-Dec | JPY      | 5:20 AM    | Prelim Industrial Production MoM | 0.00%  | 1.4%     | 4.0%     | Bearish |

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