



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

29 December 2020

From CEO's Desk



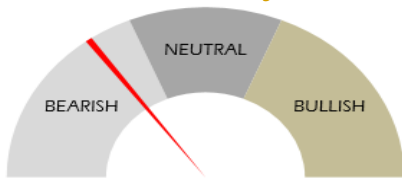
Mr. Abhishek Goenka

The Democrat controlled House of Representatives has voted in favour of the bill raising US stimulus checks from \$600 to \$2000. It will be interesting to see how the Senate votes. Speculative bearish Dollar bets have surged on ultra dovish Fed forward guidance and an extremely expansionary fiscal policy which has resulted in US real rates becoming more negative. The phase of weak USD, steepening US yield curve, lower US real rates, stronger equities, stronger commodities and stronger EM assets continues. Today is the Dec exchange traded currency derivatives' expiry. Given the high OI on account of RBI intervention we could see a lot of selling interest at the RBI fix in OTC. Yesterday itself the fix for today was offered at -2p which implies sellers were ready to sell at RBI fixing rate minus 2p. It will be interesting to see if the RBI is on bid through nationalized banks right from the outset. If it is not, Rupee could break 73.40 resulting in stops getting triggered amid thin liquidity and an exaggerated move lower. USDINR to trade in 73.40-73.70 range.

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.

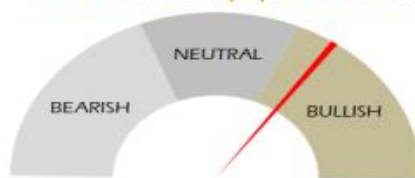
IFA Dollar- Rupee Sentiment Index

Intraday



29%

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

“ Dollar languishes amid pandemic aid optimism, pound meanders

- Trade deal is new starting point for EU relationship - UK PM
- Japan's Nikkei 225 surges to levels not seen since early 1990s
- Oil gains on hopes U.S. pandemic stimulus payments to spur fuel demand
- India to benefit from shifting of global supply chains from China - Survey
- Fund raising via equity issues jumps 116% to Rs 1.78 lakh crore in 2020

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FX Outlook for the day

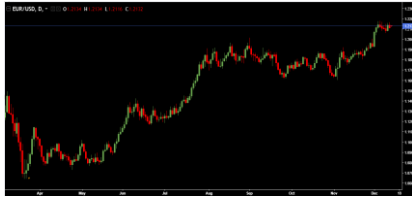
● USDINR (RANGE - 73.40 - 73.70)



Rupee made a gap down opening at 73.43 levels as Asian currencies are trading with a positive bias. Domestic equities are expected to remain upbeat; supporting Rupee in turn. Break of 73.40 could result in stops getting triggered amid thin liquidity and an exaggerated move lower. RBI to protect 73.40 either via moving its long position to OTC or intervene in the Jan contract.



● EURUSD (RANGE- 1.2190 - 1.2270)



Euro currency traded in a range bound manner with a slight bullish bias yesterday as risk sentiment was boosted by Britain reaching a trade deal with the European Union. Going forward, the mixed trend in Euro is likely to continue today as well as lack of economic datasets from EU as well as other major countries shall keep the trading volumes a bit light.



● GBPUSD (RANGE- 1.3450 - 1.3570)



Sterling plunged in yesterday's trading session despite the positive news that the EU and UK had struck a post-Brexit free trade deal. Markets feel that this is not an optimal deal for UK and there are still large gaps that will have to be dealt with in 2021. GBP to trade mixed with bullish bias owing to weaker DXY as U.S. lawmakers pushed forward with relief package.



● USDJPY (RANGE- 103.00 - 104.00)



Japanese Yen weakened in the yesterday's trading session as risk sentiments improved after U.S. President signed into law a \$2.3 trillion pandemic aid and spending package, restoring employment benefits to millions of Americans and averting a federal government shutdown. Going forward, Yen is likely to remain lull as major markets remain shut on account of New Year holidays.



IFA Outlook

“ Markets to trade on a lighter note amid holiday season and no major event in the coming week.

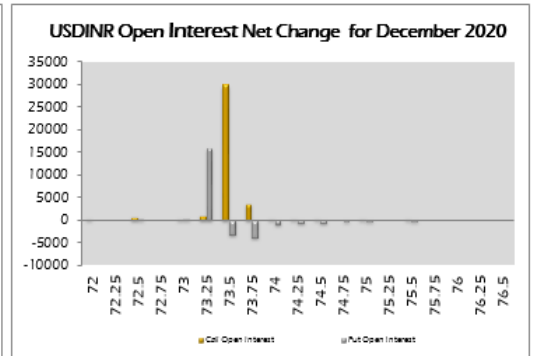
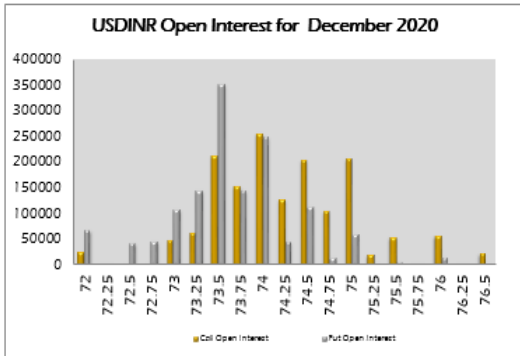
	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22	Q2 FY 2021-22
USDINR	73.00-75.40 ↔	73.00-76.00 ↔	73.00 - 77.00 ↑	73.00-76.00 ↔
\$ INDEX	89.00 - 95.00 ↓	91.20- 95.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.1850-1.2250 ↑	1.1700-1.2200 ↑	1.2000-1.2400 ↑	1.2000-1.2400 ↑
GBPUSD	1.2700-1.3650 ↑	1.2800-1.3400 ↑	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 is seen at 73.50 & for Put it is seen at 73.25. ”



• FI activity against USDINR and Nifty

“ FIs have so far infused \$13.01 billion in the calendar year 2020 ”

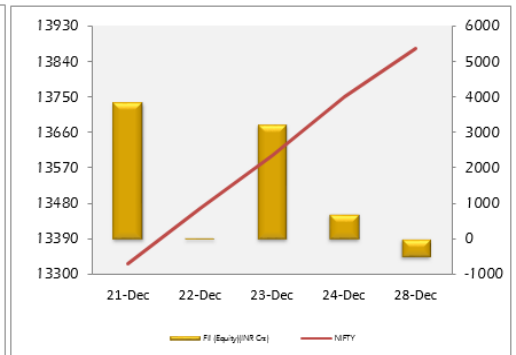
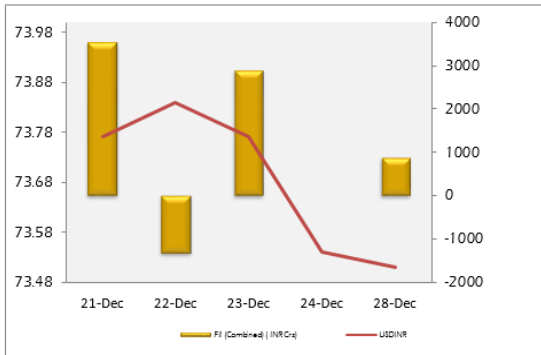


Chart of the Day

USDINR: 73.43

“ USDINR made a gap down opening today at 73.43 levels which lies closer to the lower bollinger band i.e. 73.40. Immediate resistance lies at the middle bollinger band at 73.66 levels. 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	0.25	0.68	3.28	6.96
EURINR	0.37	1.01	4.80	10.19
GBPINR	0.37	0.98	4.64	9.82
JPYINR	0.27	0.73	3.54	7.59

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	26563	0.94
	SHANGHAI	3386	-0.33
	NIKKEI	27252	1.48
INDIA	SENSEX	47613	0.55
	NIFTY	13949	0.55
US	CAC	5588	1.20
	DAX	13790	1.49
	FTSE	6502	0.10
	DOW	30404	0.68
	NASDAQ	12899	0.74

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1879.32	2.45	0.13
SILVER (\$/ounce)	26.32	-0.08	-0.29
WTI Crude (\$/bbl)	47.79	0.17	0.36
Dollar INDEX	90.11	-0.22	-0.25
Bloomberg ADXY	108.99	0.13	0.12

FPI INFLOWS	FY 2020-21	CY 2020	28-Dec-20
EQUITY	212415	164386	-503
DEBT	-18753	-81349	1390
HYBRID	10243	12594	-16
TOTAL	203905	95631	871

Figures are in INR Crores

Pivot Points

EURINR pair is likely to face immediate resistance at 90.34 (R1)

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
28-Dec	JPY	5:20 AM	Prelim Industrial Production MoM	0.00%	1.4%	4.0%	Bearish
29-Dec			No datasets for today				

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