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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

13 January 2021

From CEO's Desk



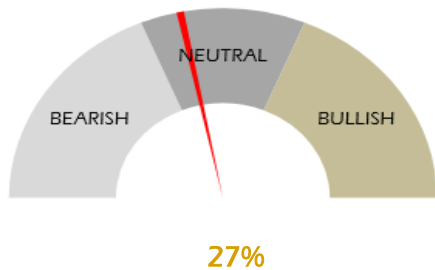
Mr. Abhishek Goenka

Inflation rose by much lower than expected 4.59% in Dec (against exp 5%) primarily on lower vegetable prices. Food inflation eased to 3.51% yoy in Dec from 9.5% in Nov. The inflation print will ease some nerves in the domestic bond and money markets which have been spooked recently by an uptick in crude prices, US treasury yields and on announcement of resumption of normal liquidity operations by the RBI. The IIP contracted 1.9% yoy in Nov, compared to an expansion of 4.9% in Oct primarily on account of contraction in mining and manufacturing output. The contraction was more than consensus estimates and could raise concerns over deceleration in growth momentum. It could lead one to question whether the strong numbers in Sep and Oct were on account of pent up demand and inventory stocking ahead of the festive season. High-frequency indicators, therefore, need to be tracked closely to ascertain signs of whether the growth impulse is sustainable or is at risk of fading away. DXY completely reversed overnight on comments from two Fed officials that "it was too early to talk about tapering of asset purchases with the pandemic still raging." We expect Rupee to trade in 73.05-73.40 range.

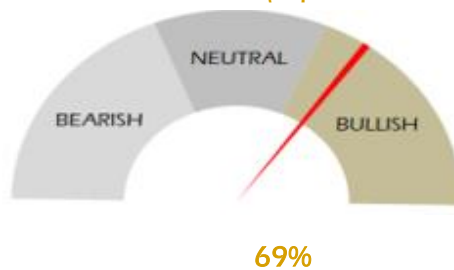
Strategy: Exporters are advised to cover a part of their exposure on upticks to 73.80-73.90. Importers are advised to cover through options. The 3M range for USDINR is 72.50 – 74.40 and the 6M range is 73.00 – 76.00.

IFA Dollar- Rupee Sentiment Index

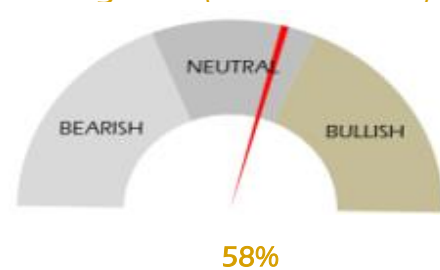
Intraday



Medium term (Upto 3 Months)



Long term (3 to 6 Months)



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 rally runs out of puff as yields ease

- U.S. labor market losing speed as COVID-19 spirals out of control
- Fed's Rosengren says it will be a while before officials taper asset purchases
- Oil prices extend gains after U.S. inventory drop
- India may unveil Automobile Scrappage Policy in Budget - Official
- CPI inflation eases to 4.59% in Dec; IIP contracts 1.9% in November

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FX Outlook for the day

● USDINR (RANGE - 73.05 - 73.40)



Rupee opened stronger at 73.17 tracking gains in Asian currencies along with fall in DXY as treasury yields take a dip after the US Fed officials indicated that any changes in the balance sheet policy were not likely till the U.S. economic outlook was more certain. Rupee is expected to remain mixed with a slight positive bias. RBI intervention could be expected in case of sharp moves.



● EURUSD (RANGE- 1.2150 - 1.2280)



Euro currency surged towards 1.2220 as recent rally in DXY driven by a spike in U.S. Treasury yields appeared to run out of steam. Going forward, the shared currency is expected to continue with its bullish trend for some more time. However, gains shall be restricted on expectations that stimulus will remain in place for some time as the bloc confronts a new variant of the coronavirus.



● GBPUSD (RANGE- 1.3650 - 1.3740)



Sterling surged towards 1.3692 levels after BoE Bailey pushed back against negative rates and stated that it is a "controversial" issue which was enough to see a slight pullback in money market pricing of a BoE rate cut. Pound is expected to continue with its bullish trend for the same mentioned reason along with a slight pullback in US Dollar Index gains.



● USDJPY (RANGE- 103.20 - 104.30)



Yen appreciated towards 103.49 as DXY nursed losses. Markets feel that an upward correction in the dollar index looks to be over and the downtrend has resumed. Going forward, Yen could face some hiccups as the risk appetite improve on hopes that the Biden Admin would ramp up US distribution of coronavirus vaccines, allowing large parts of the US economy to reopen.



IFA Outlook

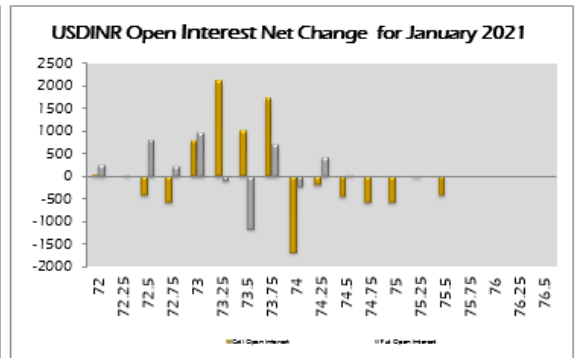
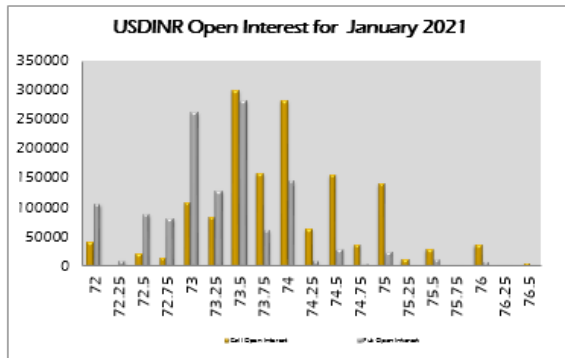
Focus to be on the macro dataset to be released.

	Q4 FY 2020-21		Q1 FY 2021-22		Q2 FY 2021-22		Q3 FY 2021-22	
USDINR	72.50-74.90	↔	73.00-76.00	↔	73.00 - 77.00	↑	73.00-76.00	↔
\$ INDEX	89.00 - 93.00	↓	91.20- 95.50	↔	95.00- 100.00	↓	95.00- 100.00	↓
EURUSD	1.1950-1.2350	↑	1.1700-1.2200	↑	1.1600-1.2150	↑	1.1450-1.2000	↑
GBPUSD	1.3125-1.3650	↑	1.3100-1.3600	↑	1.3400-1.4000	↑	1.3500-1.4150	↑
USDJPY	103.00 - 106.00	↓	104.00-108.00	↓	106.00-111.00	↔	107.00-112.00	↔
AUDUSD	0.7150-0.7750	↑	0.7150- 0.7650	↑	0.7200- 0.7600	↔	0.7200- 0.7600	↔
GOLD	\$1800- \$2000	↑	\$1800- \$2100	↑	\$1700- \$2200	↑	\$1700- \$2200	↑

Activity Kurtosis

• USDINR Open Interest (January expiry)

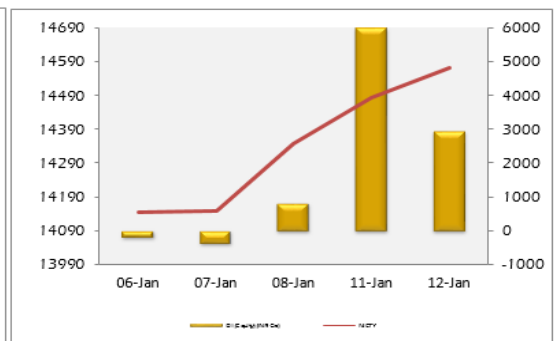
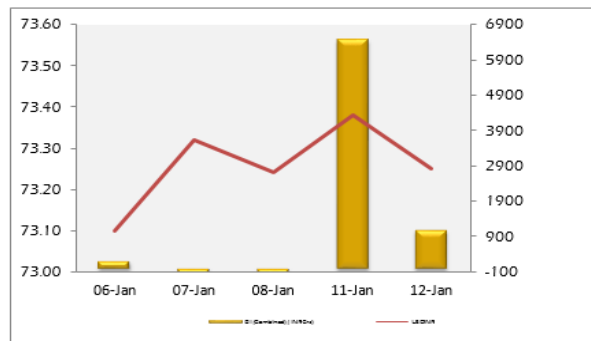
“ Highest OI for Call & Put is seen at 73.50. Highest OI intraday buildup for Call is seen at 73.25 & unwinding for Put is seen at 73.50.



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• FII activity against USDINR and Nifty

“ FIIs have so far infused \$30.59 billion in the Financial year 2020-21



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Chart of the Day

USDINR: 73.17

“ USDINR made a gap down opening today at 73.17 levels. Immediate resistance to be at 73.55 levels (super trend). On the flipside, immediate support to be at 72.90 levels which is the lower bollinger band. Major technical indicators suggest neutral view for intraday.



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Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.09	0.13	0.25	0.33
EUR	-0.59	-0.60	-0.54	-0.49
JPY	0.04	-0.07	-0.06	0.04

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.25	0.81	3.35	7.35
EURINR	0.37	1.17	4.89	10.69
GBPINR	0.37	1.16	4.85	10.58
JPYINR	0.27	0.85	3.61	7.99

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	28266	-0.04
	SHANGHAI	3605	-0.09
	NIKKEI	28326	0.57
INDIA	SENSEX	49764	0.50
	NIFTY	14640	0.52
US	CAC	5651	-0.20
	DAX	13925	-0.08
	FTSE	6754	-0.65
	DOW	31069	0.19
	NASDAQ	13072	0.28

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1858.80	1.20	0.06
SILVER (\$/ounce)	25.57	-0.07	-0.26
Brent (\$/bbl)	53.86	0.65	1.22
Dollar INDEX	89.94	-0.15	-0.17
Bloomberg ADXY	109.63	-0.06	-0.05

FPI INFLOWS	FY 2020-21	CY 2021	12-Jan-21
EQUITY	2,32,062	13,771	2,939
DEBT	-18,135	-1,082	-1,863
HYBRID	10,153	-42	-2
TOTAL	2,24,080	12,647	1,074

Figures are in INR Crores

Pivot Points

EURINR pair is likely to take immediate support at 89.04 (S1)

Pivot	S2	S1	P	R1	R2
USDINR	72.65	72.94	73.20	73.49	73.75
EURINR	88.63	89.04	89.65	90.06	90.67
GBPINR	98.16	98.74	99.46	100.04	100.76
JPYINR	69.74	70.08	70.70	71.04	71.66

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
12-Jan	INR	5:30 PM	CPI (YoY) (Dec)	4.59%	5.28%	6.93%	Bullish
	INR	5:30 PM	Industrial Production (YoY) (Nov)	-1.9%	-0.4%	3.6%	Bearish
	INR	5:30 PM	Manufacturing Output (MoM) (Nov)	-1.7%	4.1%	-0.8%	Bearish
13-Jan	EUR	12:30 PM	German WPI MoM		0.1%	0.1%	
	EUR	3:30 PM	Industrial Production MoM		0.2%	2.1%	
	USD	7:00 PM	CPI MoM		0.4%	0.2%	

Headquarters:-

India Forex Advisors Pvt. Ltd.

H-125, 1st Floor, Kanakia Zillion, LBS Marg,
CST Road Junction, BandraKurla Complex Annexe, Kurla West,
Mumbai-400070

For further Information on FX advisory services,

Contact us at :91 8879390076

Or you can mail us on: info@ifaglobal.net

You can also visit our website: www.ifaglobal.net

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