



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

3 July 2020



From CEO's Desk



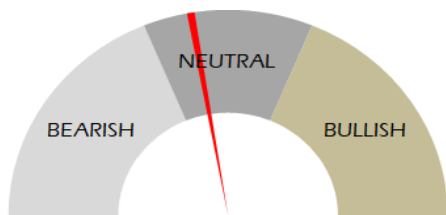
Mr. Abhishek Goenka

The US economy added 4.7mn jobs in June against expectations of a gain of 3mn, bringing the unemployment rate down to 11.1% from 13.3% in May and 14.7% in April. Sector which added most jobs were food services and retail. Onshore, USDINR finally broke through 75.40. Break of a strong support which had held for a long time triggered stop losses and resulted in a brisk move lower. Rupee had underperformed in the last one month and had weakened on a relative basis against its Asian peers because of aggressive central bank Dollar purchases (likely to strengthen its balance sheet in line with the new economic capital framework). It will be interesting to see how much the RBI allows the Rupee to adjust. It has so far not allowed positioning to build up in any direction and has kept speculators at bay. Given this regime's commitment to keeping volatility low, it will be interesting to see where the new floor in USDINR is for the medium term. There is chatter in the market that we may see a repo rate cut or introduction of SDF (standing deposit facility) to discourage banks from parking funds with the RBI and to encourage them to lend instead, thereby facilitating monetary policy transmission. USDINR is likely to trade 74.50-75.00 with downside bias.

Strategy: Exporters have been advised to cover on every uptick. Importers are advised to hold. The 3M range for USDINR is 74.00 - 77.00 and the 6M range is 74.00 - 80.00.

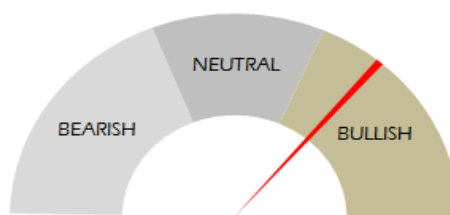
IFA Dollar- Rupee Sentiment Index

Intraday



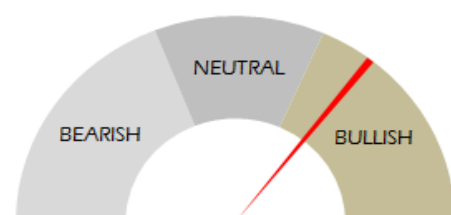
44%

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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Rupee hits 3 month high on FX inflow, positive risk sentiment

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- Global stocks rise as US jobs data boost hopes for recovery
- China's services sector grows at fastest pace in over a decade in June
- Domestic indices reach 4-month high on Covid-19 vaccine hopes
- Intel Capital invests Rs 1,894 crore for a 0.39% stake in Jio Platforms
- U.S. trade deficit widened in May as both exports, imports fell

FX Outlook for the day

● USDINR (RANGE- 74.50 - 75.00)



USDINR opened sharply lower today by 42 paise to 74.59 on likely foreign fund inflows and positive risk sentiment globally. Nationalized banks who had been mopping up US Dollars on behalf of the central bank were absent from bids. Given this regime's commitment to keeping volatility low, it will be interesting to see where the new floor in USDINR is for the medium term.



● EURUSD (RANGE- 1.1200 - 1.1280)



EURUSD pair marked a day-high of 1.1303 before closing at 1.1237, down 0.1%. The German parliament voted in support of the European Central Bank's bond purchase program. Meanwhile, official data showed that the eurozone's jobless rate edged up to 7.4% in May (7.7% expected) from 7.3% in April. After encouraging manufacturing PMI data, focus will now turn to services PMI numbers.



● GBPUSD (RANGE- 1.2410 - 1.2500)



The GBPUSD pair hit a fresh weekly high of 1.2529 but trimmed intraday gains ahead of the close as the dollar index bounced back from the lows post upbeat Non farm payroll data. Meanwhile, weekly round of talks come to an end with serious divergences still persisting from both the parts which is negative for the Pound. The UK will publish the GfK Consumer Confidence & final version of the June Markit Services PMI



● USDJPY (RANGE- 107.00 - 107.90)



Following this week's sharp retracement slide from three-week tops, the pair has managed to regain some positive traction but the uptick lacked any strong follow-through amid weakness in the dollar index. The positive news related to the development of a vaccine for COVID-19 remained supportive of the positive tone around the equity markets, lowering the demand of safe haven Yen.



IFA Outlook

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Concerns over second wave of Coronavirus cases to influence the risk sentiment for the short term

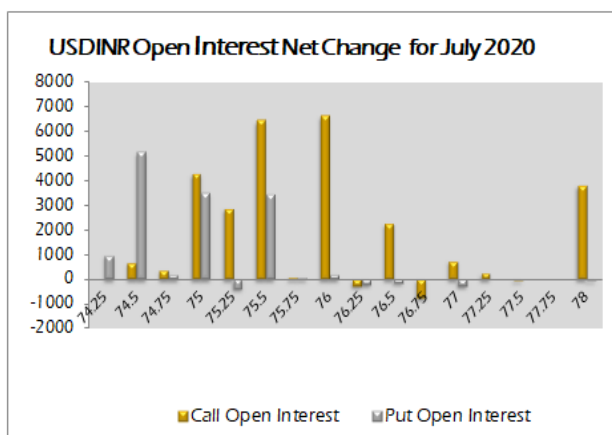
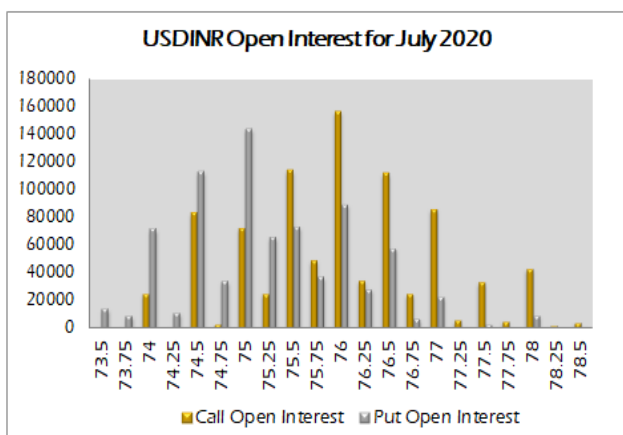
	Q2 FY 2020-21	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22
USDINR	74.00-77.00 ↑	74.00-80.00 ↑	74.00 - 80.00 ↑	74.00-80.00 ↑
\$ INDEX	95.50- 100.00 ↓	96.00- 101.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.0950-1.1450 ↑	1.0800-1.1450 ↓	1.1000-1.1650 ↑	1.1200-1.1800 ↑
GBPUSD	1.2300-1.2700 ↑	1.2000-1.2600 ↔	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	0.6600-0.7100 ↑	0.6500- 0.7000 ↔	0.6450- 0.7100 ↔	0.6800- 0.7500 ↔
GOLD	\$1600-\$1850 ↑	\$1600-\$1900 ↑	\$1550-\$1850 ↑	\$1450-\$1800 ↑

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Activity Kurtosis

• USDINR Open Interest (July expiry)

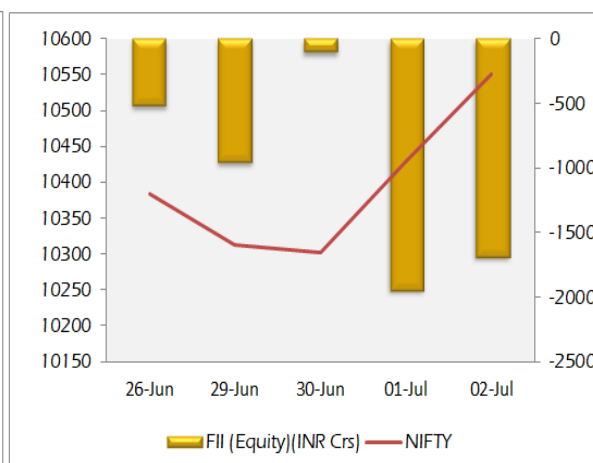
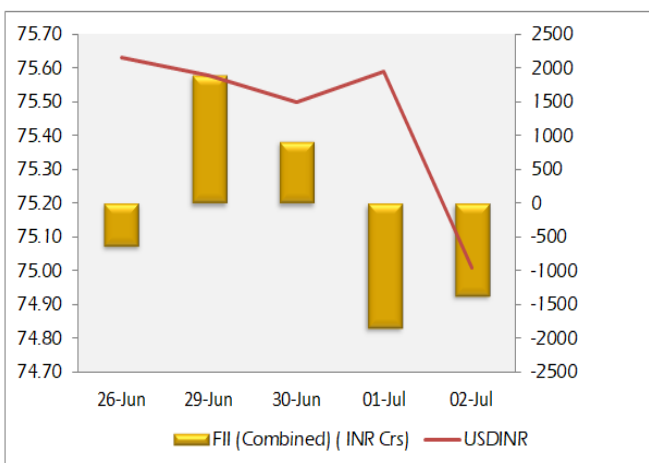
“ Highest OI for Put stands at 75.00 and for Call at 76.00. Highest OI intraday buildup is seen at 74.50 Put and 75.50 & 76.00 Call



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• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$14.36 billion in the calendar year 2020

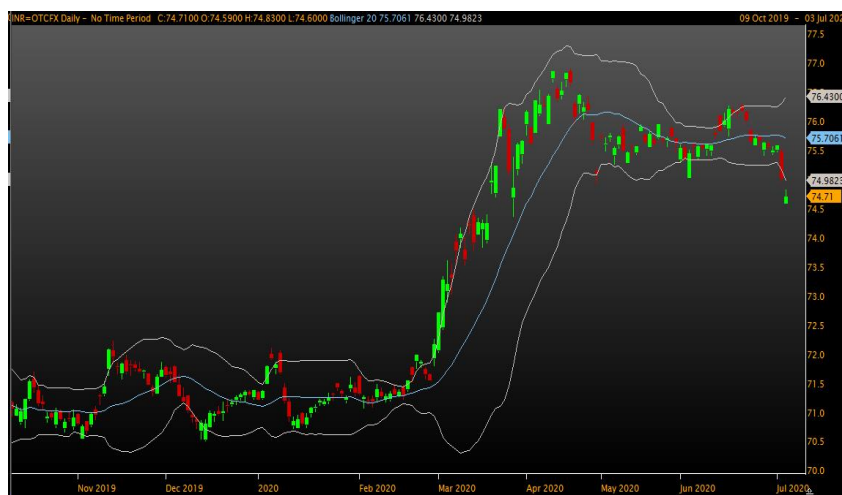


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Chart of the Day

USDINR Spot: 74.70

“ After breaking the support range of 75.40 - 75.50, USDINR pair extended its bearish leg, opening sharply lower today at 74.59. Immediate support now stands near 74.50, if it breaks then it could be seen moving towards 74.00 mark. The intraday view for the pair remains bearish. On the flipside, 75.00 will act as intraday resistance.



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Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.16	0.37	0.54
EUR	-0.57	-0.50	-0.33	-0.24
JPY	0.04	-0.08	-0.02	0.11

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.21	0.66	2.89	6.47
EURINR	0.29	0.91	4.00	8.84
GBPINR	0.28	0.87	3.77	8.34
JPYINR	0.22	0.70	3.14	7.06

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	25336	0.84
	SHANGHAI	3123	1.04
	NIKKEI	22213	0.30
INDIA	SENSEX	35886	0.12
	NIFTY	10579	0.26
EUROPE	CAC	5049	2.49
	DAX	12608	2.84
	FTSE	6240	1.34
US	DOW	25827	0.36
	NASDAQ	10208	0.52

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1787.00	-2.85	-0.19
SILVER (\$/ounce)	18.27	-0.05	-0.25
Brent (\$/brl)	42.70	-0.44	-1.02
Dollar INDEX	97.19	-0.12	-0.12
Bloomberg ADXY	102.90	-0.06	-0.06

FPI INFLOWS	FY 2020-21	CY 2020	2-Jul-20
EQUITY	25,889	-22,141	-1,685
DEBT	-27,808	-90,403	323
HYBRID	2,510	4,860	0
TOTAL	591	-1,07,684	-1,362

Figures are in INR Crores

Pivot Points

“ EURINR pair is now likely to find intraday support at 83.89 (S2) ”

Pivot	S2	S1	P	R1	R2
USDINR	74.64	74.82	75.18	75.36	75.72
EURINR	83.89	84.36	85.05	85.52	86.21
GBPINR	92.02	92.65	93.77	94.40	95.52
JPYINR	69.77	70.16	70.77	71.16	71.77

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
2-Jul	EUR	2:30 PM	Unemployment Rate (May)	7.4%	7.70%	7.3%	Bullish
	USD	6:00 PM	Average Hourly Earnings (MoM) (Jun)	-1.2%	-0.7%	-1.0%	Bearish
	USD	6:00 PM	Initial Jobless Claims	1472K	1355K	1480K	Bearish
	USD	6:00 PM	Nonfarm Payrolls (Jun)	4800K	3000K	2509K	Bullish
	USD	6:00 PM	Unemployment Rate (Jun)	11.1%	12.3%	13.3%	Bullish
3-Jul	INR	10:30 AM	Nikkei Services PMI (Jun)		22.3	12.6	
	EUR	1:30 PM	Services PMI (Jun)		47.3	47.3	

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