



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

8 July 2020



## From CEO's Desk



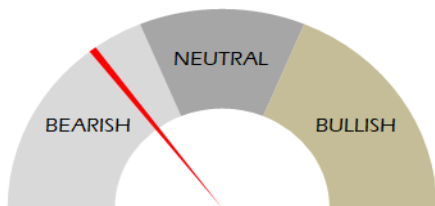
Mr. Abhishek Goenka

US equities snapped a 5 day winning streak. The US Dollar strengthened and US yields came off. After a steep upmove in equities, sentiment was that of caution in the absence of any triggers. Gold in USD terms is at its highest since 2011. The RBI continued to buy USD and pay forwards, crushing shorts in trade yesterday. We could see similar price action today as well. There is not much on the data front. Price action is likely to largely flow driven. Rupee is likely to trade a 74.70-75.10 range intraday. Nationalized banks may continue to intervene to smoothen volatility. FPIs are utilizing 40% of their limit in Gsecs in general category and 37% of their limit in corporate bonds. EIA crude inventory data due today.

**Strategy:** Exporters are advised to cover between 75.00 - 75.40 through forwards. At lower levels only cover through option strategy. Break below 74.50 may possibly take rupee to 73.80. Importers are advised to hold maintaining a stop loss of 75.50 or cover through risk reversals options. The 3M range for USDINR is 73.60 - 76.50 and the 6M range is 73.00 - 77.00.

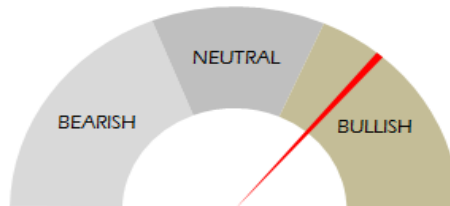
## IFA Dollar- Rupee Sentiment Index

### Intraday



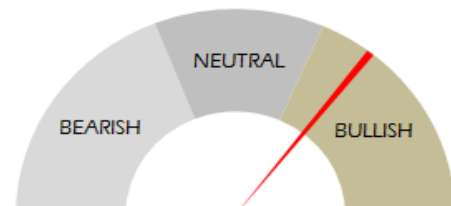
29%

### 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

“

Rupee to closely track Yuan, USD dynamics

”

- Gold steadies near highest since November 2011 as virus cases mount
- Global stock rally pauses as focus turns to fresh Covid-19 outbreaks
- FM asks PSUs to spend 50% of budgeted expenditure by H1
- Italian retail sales surge 24% after lockdown eased
- EC slashes UK economic outlook as lockdown and Brexit uncertainty bite

## FX Outlook for the day

### ● USDINR (RANGE- 74.70 - 75.10)



USDINR pair opened lower today by 9 paise to 74.85 as the Rupee strengthens tracking gains in Asian currencies. Chinese Yuan is trading at four month high level around 7.02 and is expected to target 7 psychological mark. This is likely to further back the rally in Asian currencies as TWD and PHP have recovered stealthily and are now trading on an appreciating note vs USD for the calendar year 2020.



### ● EURUSD (RANGE- 1.1270 - 1.1350)



EURUSD pair erased its intraday gains and fell below 1.1300 level as the European Commission (EC) slashed its growth forecasts to -8.3% from -7.7% for 2020. EC mentioned that the economic impact of the lockdown will be more severe than initially expected. EU Commissioner Paolo Gentiloni urged the commission to quickly reach an agreement on the 750 billion-euro stimulus package proposed earlier this year.



### ● GBPUSD (RANGE- 1.2510 - 1.2600)



The European Commission slashed its growth forecasts for the U.K. for this year due to the lockdown measures to contain the coronavirus pandemic and the uncertainty about its future relationship with the European Union. The country's economy will shrink by 9.7% this year, more than the 8.3% contraction estimated in March. As per report, the Brexit transition period may end without any agreement.



### ● USDJPY (RANGE- 107.30 - 108.00)



USDJPY extends the latest pullback from 107.25 as the greenback recovered back from two week lows with the pair now eying 108.00 mark. In the absence of major data release, the USD price dynamics, along with developments surrounding the coronavirus headlines will play a key role in influencing the intraday momentum. Technically, 108.00 is likely to act as immediate resistance level.



## IFA Outlook

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Encouraging business activity data lifts global risk sentiment

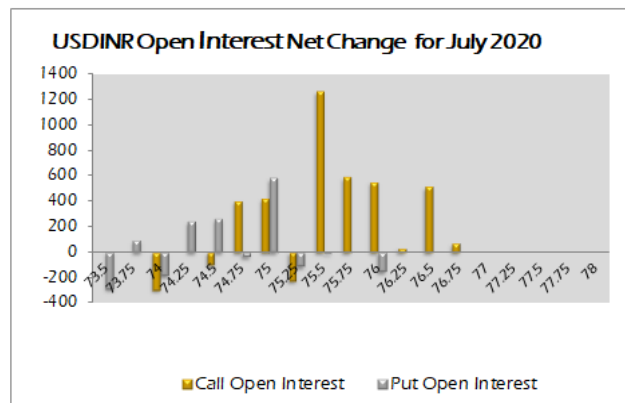
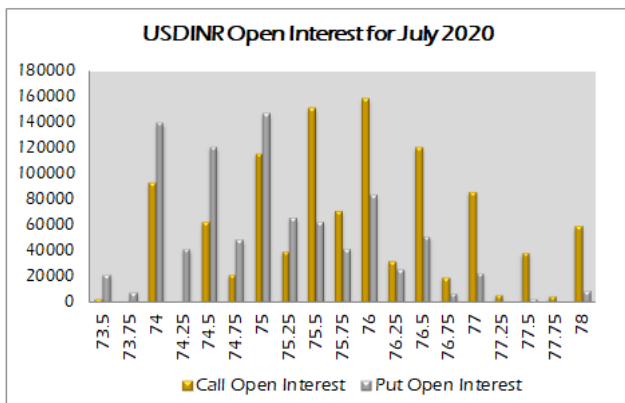
	Q2 FY 2020-21	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22
USDINR	73.60-76.50 ↑	73.00-77.00 ↑	73.00 - 77.00 ↑	73.00-76.00 ↑
\$ INDEX	95.50- 100.00 ↓	96.00- 101.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.0950-1.1450 ↑	1.0800-1.1450 ↓	1.1000-1.1650 ↑	1.1200-1.1800 ↑
GBPUSD	1.2300-1.2700 ↑	1.2000-1.2600 ↔	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)

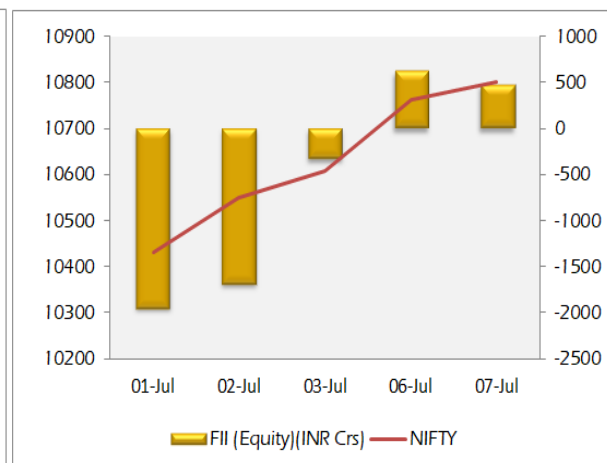
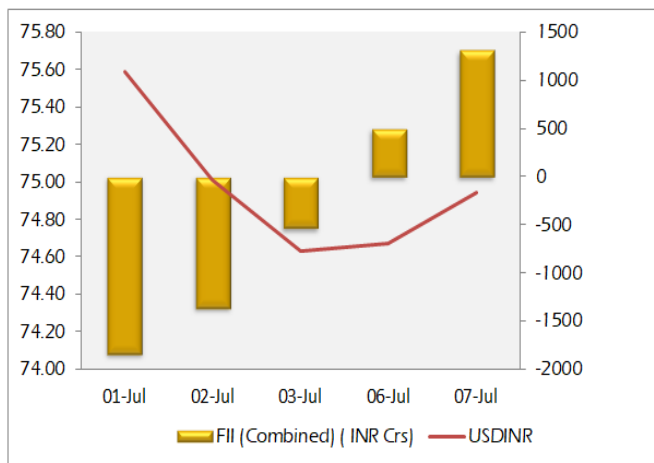
“ Highest OI for Put stands at 75.00 and for Call at 76.00 & 75.50. Highest OI intraday buildup is at 75.50 Call and at 75.00 Put



”

#### • FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$14.20 billion in the calendar year 2020



”

### Chart of the Day

USDINR Spot: 74.90

“ USDINR pair opened lower today at 74.85. Immediate support stands near 74.50 while upside remains capped in 75.00 - 75.05 range for intraday. MACD and EMA 5-22 crossover indicate bearish momentum for the short term.



”

## Major Global Rates

## LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.18	0.36	0.49
EUR	-0.57	-0.49	-0.34	-0.25
JPY	0.04	-0.07	-0.03	0.10

## Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.23	0.70	2.96	6.53
EURINR	0.32	0.97	4.09	8.92
GBPINR	0.31	0.93	3.89	8.51
JPYINR	0.25	0.74	3.22	7.09

## Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	26070	0.36
	SHANGHAI	3370	0.74
	NIKKEI	22531	-0.37
INDIA	SENSEX	36739	0.18
	NIFTY	10824	0.23
EUROPE	CAC	5043	-0.74
	DAX	12617	-0.92
	FTSE	6190	-1.53
US	DOW	25890	-1.51
	NASDAQ	10344	-0.86

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1806.00	-3.00	-0.2
SILVER (\$/ounce)	18.63	-0.06	-0.33
Brent (\$/brl)	42.98	-0.10	-0.23
Dollar INDEX	96.93	0.05	0.05
Bloomberg ADXY	103.28	0.05	0.05

FPI INFLOWS	FY 2020-21	CY 2020	7-Jul-20
EQUITY	26,654	-21,375	476
DEBT	-27,302	-89,897	834
HYBRID	2,497	4,848	-2
TOTAL	1,849	-1,06,424	1,308

Figures are in INR Crores

## Pivot Points

“ GBPINR pair is likely to find intraday resistance at at 94.23 (R1) ”

Pivot	S2	S1	P	R1	R2
USDINR	73.88	74.26	74.96	75.34	76.04
EURINR	82.83	83.40	84.33	84.90	85.83
GBPINR	91.46	92.32	93.37	94.23	95.28
JPYINR	68.56	68.98	69.80	70.22	71.04

## Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
7-Jul	AUD	10:00 AM	RBA Interest Rate Decision (Jul)	<b>0.25%</b>	0.25%	0.25%	<b>Neutral</b>
	EUR	11:30 AM	German Industrial Production (MoM) (May)	<b>7.80%</b>	10.0%	-17.9%	<b>Bearish</b>
8-Jul	JPY	5:20 AM	Current Account n.s.a. (May)	<b>1.177T</b>	1.088T	0.263T	<b>Bullish</b>

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