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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

9 July 2020



From CEO's Desk



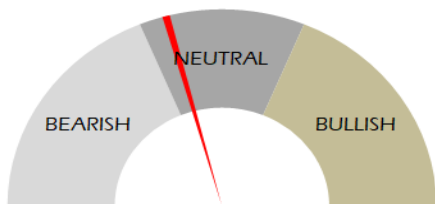
Mr. Abhishek Goenka

Markets seem to be disregarding the simmering US-China tensions. Some advisors in the Trump administration are in favor of stifling Hong Kong's access to US Dollars in retaliation to China imposing the national security law. HSBC stock has taken a beating as a large part of its income comes from Hong Kong. While at the moment the lower end of the 7.75-7.85 peg of USDHKD is under threat, if the Trump administration does go ahead with restricting USDHKD Convertibility, the Hong Kong Monetary Authority would have to defend the upper end of the peg. Nationalized banks have been absorbing Inflows and paying forwards to sterilize liquidity. This has resulted in the forward curve getting dislocated. While a 3m T-bill fetches 3.17%, doing a B-S swap and parking USD outside would yield 3.75%. So far it has put to rest any doubt market participants would have had about aggressiveness of intervention post its balance sheet date. 74.50 is a strong support and we can see a move like we saw on break of 75.40 if it gets tested again. Rupee is likely to trade 74.75-75.10 range intraday.

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.

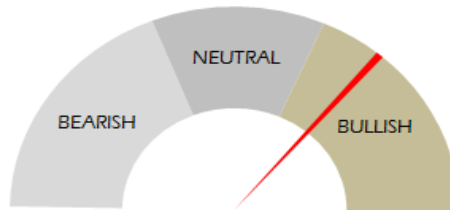
IFA Dollar- Rupee Sentiment Index

Intraday



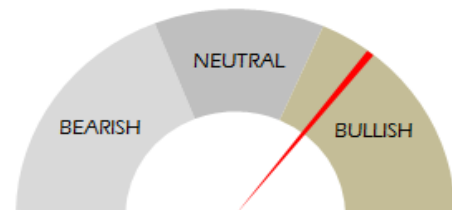
41%

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

“

Chinese Yuan strengthens past 7 mark

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- Asian stocks grind higher as focus turns to earnings
- Japan machinery orders rise 1.7% on month in May vs -12% in April
- India's ICICI Bank to raise \$2 Billion
- U.K. government announced up to \$38 billion in fresh stimulus measures
- Gold shoots above \$1,800 for first time since 2011

FX Outlook for the day

● USDINR (RANGE- 74.75 - 75.10)



Aggressive intervention by nationalized banks has skewed sentiment in the Rupee. It is sending a clear signal that the central bank is not comfortable with a strong Rupee. Meanwhile, Asian currencies are likely to take cues with Yuan strengthening past the 7 mark again. 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- 1.1310 - 1.1400)



EURUSD pair surpassed 1.1300 level and is currently hovering at three week high around 1.1350. Technically, the pair is likely to extend its bullish leg targeting 1.1400 level. Europe looks more stable compared to the US economic lockdowns. Crucial for the EU and the euro is the next week summit, featuring discussions on the EU recovery fund. A high chance of progress would support the common currency.



● GBPUSD (RANGE- 1.2570 - 1.2660)



GBPUSD pair rose more than 100 pips claiming 1.2600 level, its highest in four weeks. The pound surged on the dollar's broad weakness and ignoring the lack of progress in Brexit talks. Yesterday, the U.K. government announced up to \$38 billion in fresh stimulus measures intended to boost the economy as it exits lockdown. The new package marks the start of a second phase of government spending and tax cuts.



● USDJPY (RANGE- 107.00 - 107.80)



USDJPY pair is down by 50 pips to 107.20 as the U.S. dollar weakened against its major peers, with the ICE Dollar Index dropping 0.6% on day to 96.40. Japan's core machinery orders rose 1.7% in May from the previous month's -12.00% further supporting the Yen. Focus will now be on today's initial jobless claims data. Overall the pair has been rangebound in 107.00 -108.00 range.



IFA Outlook

“ Encouraging business activity data and further stimulus expectations lifts global risk sentiment

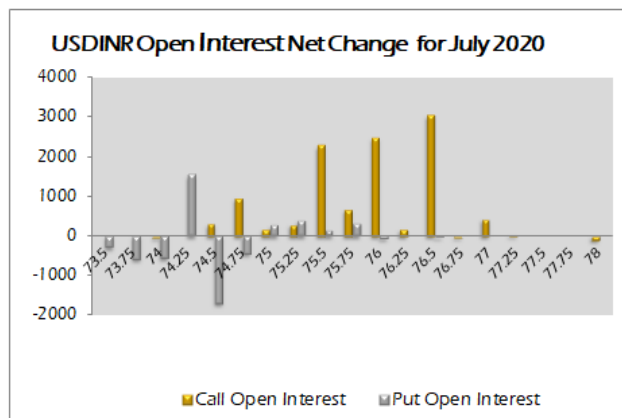
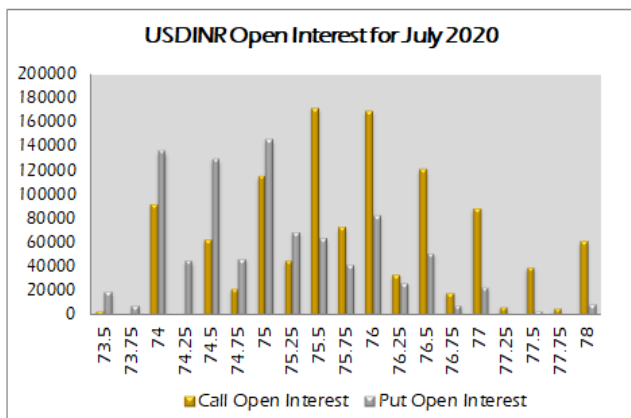
	Q2 FY 2020-21	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22
USDINR	73.60-76.50 ↑	73.00-77.00 ↑	73.00 - 77.00 ↑	73.00-76.00 ↑
\$ INDEX	95.50- 99.50 ↓	96.00- 100.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.0950-1.1450 ↑	1.0800-1.1450 ↓	1.1000-1.1650 ↑	1.1200-1.1800 ↑
GBPUSD	1.2300-1.2700 ↑	1.2000-1.2600 ↔	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 ↑

”

Activity Kurtosis

• USDINR Open Interest (July expiry)

“ Highest OI for Put stands at 75.00 and for Call at 75.50 & 76.00. Highest OI intraday buildup is at 76.50 Call and at 74.25 Put ”



• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$ 14.38 billion in the calendar year 2020 ”

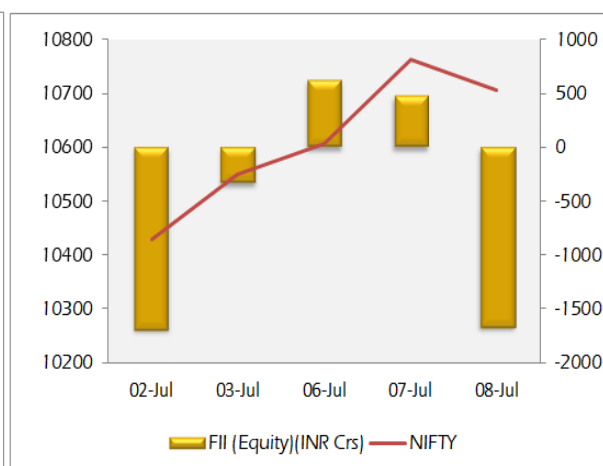
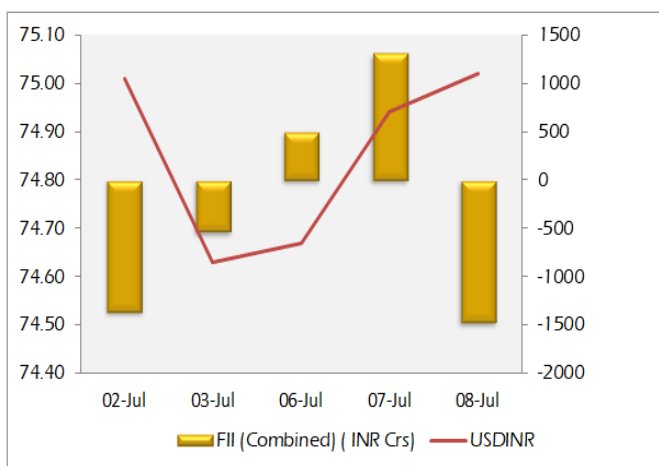


Chart of the Day

USDINR Spot: 74.94

“ USDINR pair opened lower today at 74.94. Immediate support stands near 74.50 while upside remains capped in 75.00 - 75.10 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	0.19	0.35	0.49
EUR	-0.56	-0.49	-0.34	-0.25
JPY	0.04	-0.08	-0.03	0.10

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.22	0.70	2.96	6.82
EURINR	0.31	0.96	4.12	9.32
GBPINR	0.30	0.93	3.92	8.96
JPYINR	0.24	0.74	3.23	7.39

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	26252	0.47
	SHANGHAI	3439	1.03
	NIKKEI	22678	1.07
INDIA	SENSEX	36528	0.55
	NIFTY	10761	0.52
EUROPE	CAC	4981	-1.24
	DAX	12495	-0.97
	FTSE	6156	-0.55
US	DOW	26067	0.68
	NASDAQ	10493	1.44

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1822.00	1.75	0.10
SILVER (\$/ounce)	19.26	0.10	0.54
Brent (\$/brl)	43.26	-0.03	-0.07
Dollar INDEX	96.25	-0.17	-0.18
Bloomberg ADXY	103.43	-0.06	-0.06

FPI INFLOWS	FY 2020-21	CY 2020	8-Jul-20
EQUITY	24,989	-23,041	-1,666
DEBT	-27,113	-89,708	189
HYBRID	2,495	4,846	-2
TOTAL	371	-1,07,903	-1,479

Figures are in INR Crores

Pivot Points

“ GBPINR pair is likely to find intraday resistance at at 95.28 (R2) ”

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
8-Jul	JPY	5:20 AM	Current Account n.s.a. (May)	1.177T	1.088T	0.263T	Bullish
9-Jul	CNY	7:00 AM	CPI (MoM) (Jun)	-0.1%	-0.5%	-0.8%	Bullish
	EUR	11:30 AM	German Trade Balance (May)		5.2B	3.2B	
	USD	6:00 PM	Initial Jobless Claims		1375K	1472K	

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