



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

10 July 2020



From CEO's Desk



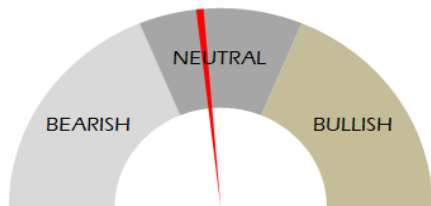
Mr. Abhishek Goenka

US initial jobless claims rose by 1.3mn, in line with expectations, while continuing claims declined to 18m from 18.8mn. However, the pace at which jobless claims are falling has slowed and this soured sentiment. The Dow shed 1.4%. Tech stocks however continue to outperform. The Nasdaq hit a new high for the fourth straight day. Onshore the rally in bonds continues. Abundant liquidity is beginning to work its effect on the longer end of the curve as well. Anticipation of OMOs and Twists by the central bank is also compressing term premia. Top notch corporate bonds are trading at same yields as SDLs. Spreads of top rung corporate bonds have compressed to lowest levels in several years. USDINR continues to get bid up as inflows are being absorbed. Today's weekly closing will be important. Rupee is likely to trade 74.85-75.25 range. May IIP is due today. Asian currencies are trading weak against the USD. Asian equities are trading weak. Shanghai Composite is on course to snap a 8 session winning streak. Nifty is expected to trade with a slight negative bias.

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.

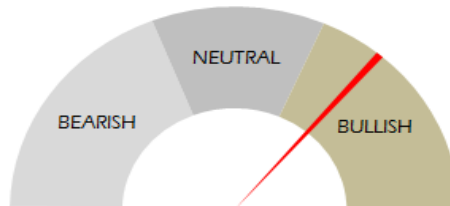
IFA Dollar- Rupee Sentiment Index

Intraday



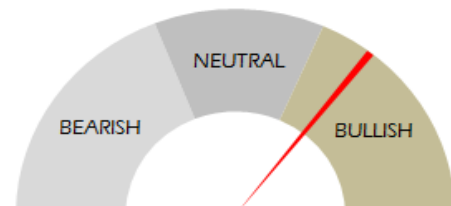
46%

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 opens lower tracking weakness in Asian currencies

- Record high U.S. Crude inventories threaten oil rally
- US weekly jobless claims of 1.3m show gradual improvement
- 10Y US Treasury yield plumbs seven-week low as stocks slump over recovery worries
- White House expects new round of stimulus funds to individuals by July end
- U.S. sanctions four Chinese officials over human rights abuses in Xinjiang

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FX Outlook for the day

● USDINR (RANGE- 74.85 - 75.25)



Aggressive intervention by nationalized banks likely on behalf of RBI has skewed sentiment in the Rupee. It is sending a clear signal that the central bank is not comfortable with Rupee appreciation. Asian equities are trading weak. Asian currencies are trading weak against the USD which is also likely to weigh on the performance of the Rupee. Focus will now be May Industrial production data.



● EURUSD (RANGE- 1.1230 - 1.1320)



EURUSD pair retraced back sharply from the one month highs of 1.1370, down by 100 pips to 1.1270 largely due to turnaround in risk sentiment and broad dollar strength. A bout of dollar demand, a retreat in Wall Street indexes made the market mood swing evident. Main focus will be on any new developments on the European Union's recovery fund at an EU summit late next week.



● GBPUSD (RANGE- 1.2540 - 1.2630)



Yesterday, GBPUSD pair gave up all its intraday gains and closed at 1.2600 level. The British Retail Consortium (BRC) warned that consumers would suffer from higher prices if the EU and UK end up with a no-deal Brexit. Market participants will be closely monitoring negotiations which are set to happen in Brussels next week. Meanwhile, further relaxation of restrictions this month may result in better data outcomes.



● USDJPY (RANGE- 106.60 - 107.40)



USDJPY pair is trading on the lower end of the one week consolidation range of 107.00 - 108.00. U.S. government bond yields fell to a nearly 11-week low yesterday, after another well-received bond auction helped ease investors' concerns about the growing supply of Treasury. Fall in the yields, sell-off in the stock markets has turned the investor sentiment towards safe haven assets like Yen, US dollar and gold.



IFA Outlook

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

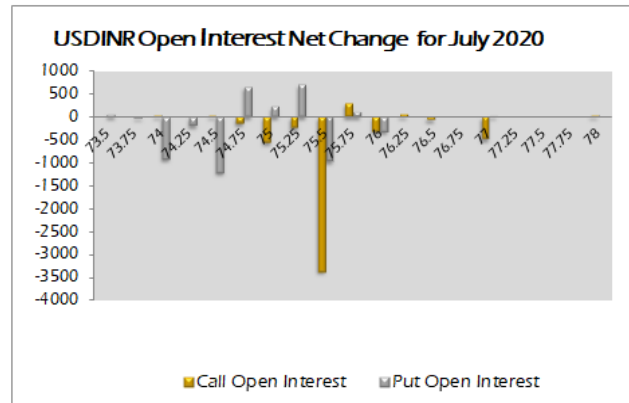
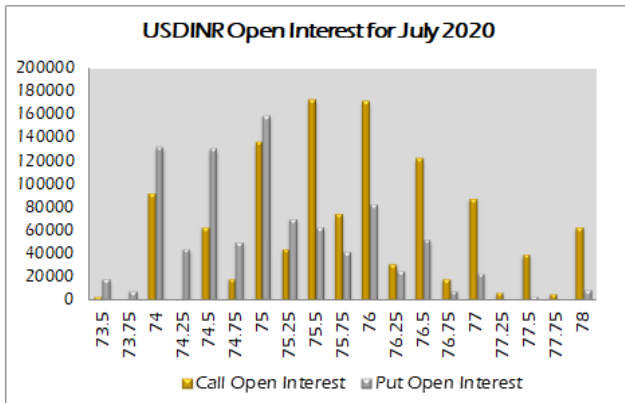
	Q2 FY 2020-21	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22
USDINR	73.60-76.50 ↑	73.00-77.00 ↑	73.00 - 77.00 ↑	73.00-76.00 ↑
\$ INDEX	95.50- 99.50 ↓	96.00- 100.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.0950-1.1450 ↑	1.0800-1.1450 ↓	1.1000-1.1650 ↑	1.1200-1.1800 ↑
GBPUSD	1.2300-1.2700 ↑	1.2000-1.2600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

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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 unwinding is at 75.50 Call and at 74.50 Put ”



• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$14.54 billion in the calendar year 2020 ”

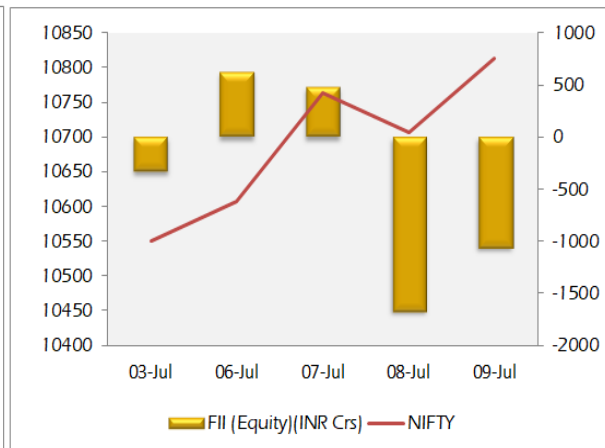
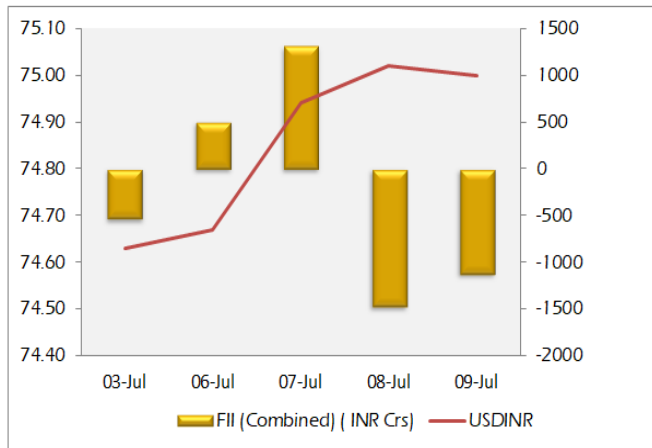


Chart of the Day

USDINR Spot: 75.18

“ USDINR pair gave a gap up opening today at 75.15, also breaching short term trendline resistance level of 75.10. In order to continue to further upside, the pair needs to close above 75.00-75.10 range. The intraday view for the pair remains neutral. ”



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.18	0.35	0.48
EUR	-0.57	-0.49	-0.36	-0.27
JPY	0.04	-0.07	-0.04	0.10

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.23	0.70	2.97	6.79
EURINR	0.32	0.97	4.08	9.19
GBPINR	0.31	0.93	3.92	8.88
JPYINR	0.24	0.74	3.23	7.37

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	25903	-1.17
	SHANGHAI	3414	-1.05
	NIKKEI	22476	-0.24
INDIA	SENSEX	36702	-0.10
	NIFTY	10806	-0.07
EUROPE	CAC	4921	-1.21
	DAX	12489	-0.04
	FTSE	6050	-1.73
US	DOW	25706	-1.39
	NASDAQ	10548	0.53

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1806.00	2.13	0.30
SILVER (\$/ounce)	19.04	0.08	0.45
Brent (\$/brl)	42.05	-0.30	-0.7
Dollar INDEX	96.85	0.16	0.17
Bloomberg ADXY	103.25	-0.11	-0.11

FPI INFLOWS	FY 2020-21	CY 2020	9-Jul-20
EQUITY	23,929	-24,101	-1,059
DEBT	-27,177	-89,772	-64
HYBRID	2,497	4,848	2
TOTAL	-751	-1,09,025	-1,121

Figures are in INR Crores

Pivot Points

“ USDINR pair is likely to find intraday resistance at at 75.34 (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
9-Jul	CNY	7:00 AM	CPI (MoM) (Jun)	-0.1%	-0.5%	-0.8%	Bullish
	EUR	11:30 AM	German Trade Balance (May)	7.6B	5.2B	3.2B	Bullish
	USD	6:00 PM	Initial Jobless Claims	1314K	1375K	1472K	Bullish
10-Jul	INR	5:30 PM	Industrial Production (YoY) (May)		-37.8%	-18.3%	
	USD	6:00 PM	PPI (MoM) (Jun)		0.40%	0.40%	

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