



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

14 July 2020



## From CEO's Desk



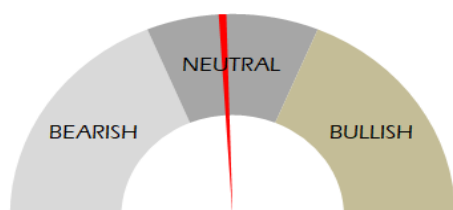
Mr. Abhishek Goenka

India June CPI rose 6.09%. The higher than expected print was primarily on account of higher food prices, especially pulses. Despite the print being above RBI's tolerance band of 6%, the RBI is likely to continue with its accommodative stance and prioritize growth at this point. We expect the RBI policy to remain accommodative until significant demand side pressure on prices becomes evident and there is a perceptible uptick in core inflation. The RBI is quite likely to overlook higher prices if they are on account of supply constraints. Global equities that were marching on, turning a blind eye to rise in cases in the US and simmering US-China tensions completely reversed intraday. The Chinese stock market is approaching its highs of five years ago and is within striking distance of USD 10tn mark. Rupee is likely to trade 75.10-75.45 range. The US Dollar too recovered yesterday as equities plummeted. The Euro hovering shy of its recent highs around 1.1420. The Sterling too is making an attempt at a crucial 1.27-1.2750 resistance zone. UK May GDP, Germany July ZEW economic sentiment and US June CPI data is 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.

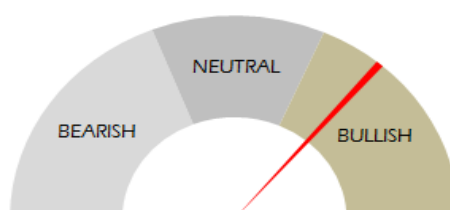
## IFA Dollar- Rupee Sentiment Index

### Intraday



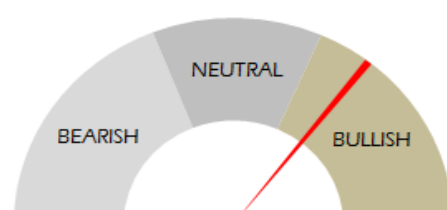
48%

### 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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India's June CPI breaches RBI's tolerance band of 6%

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- China June exports unexpectedly rise as economies reopen
- Google commits \$ 10-billion investment for digitising India
- US budget deficit hits all-time high of \$864 billions in June
- No guarantee EU leaders will reach stimulus deal say Chancellor Angela Merkel
- China imposes sanctions on US lawmakers in retaliation



## FX Outlook for the day

## ● USDINR (RANGE- 75.10 - 75.45)



USDINR pair opened higher by 14 paise to 75.33 due to weak appetite for riskier assets amid rising cases globally as well on the domestic front. Asian indices are down 1%. The Nifty is likely to trade with a negative bias. Asian currencies are also trading on a weaker note today which is expected to weigh on the Rupee. After CPI breaching RBI's upper target range of 6%, focus will now turn to WPI data.



## ● EURUSD (RANGE- 1.1300 - 1.1385)



The EURUSD pair is trading higher by 0.5% to 1.1350 ahead of key events from EU front. Market participants will be focusing on the ECB monetary policy meeting, inflation data, rising number of coronavirus cases, and Friday's eurogroup meeting. In this meeting, the members will have a candid discussion about the €750 billion recovery fund that was proposed two months ago.



## ● GBPUSD (RANGE- 1.2500 - 1.2600)



Markets so far have been encouraged by an improvement in the coronavirus statistics for the UK as well as the easing of the lockdown. Moreover, the announcement of fresh stimulus measures further gave a boost to the sterling. Focus today will be on the UK growth data and production numbers which are expected to show a sign of revival. The pair is down by 100 pips to 1.1255 from the yesterday's high.



## ● USDJPY (RANGE- 106.70 - 107.55)



USDJPY is back to 107.00 level amid mild recovery in the dollar index and Trump's optimistic comments on phase one trade deal with China. The pair held onto gains despite the selloff in the domestic equities and the pullback in US yields. Focus will now turn to Japan's industrial production and US Consumer inflation data which are likely to provide fresh clues to the market direction.



## IFA Outlook

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Eurozone interest rate decision, EU summit, Brexit headlines and macro data to set the theme for the short term

	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	1.2300-1.2800	↑	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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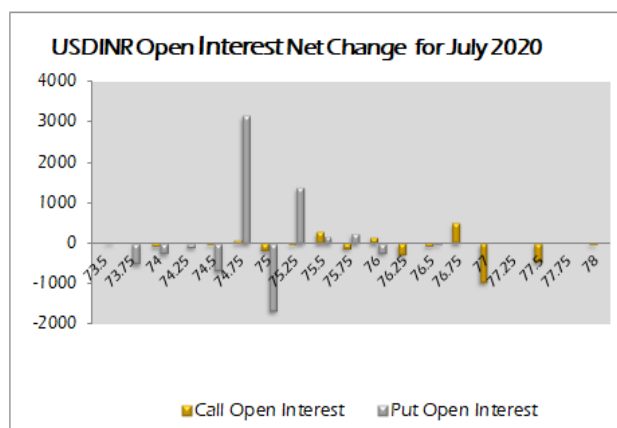
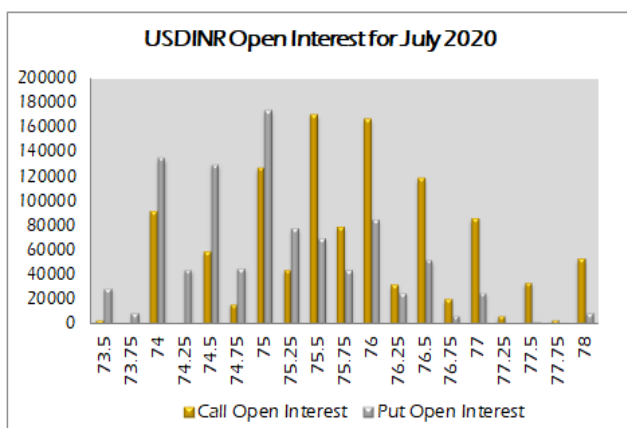
## Activity Kurtosis

## • USDINR Open Interest (July expiry)

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Highest OI for Put stands at 75.00 and for Call at 75.50 & 76.00. Highest OI intraday buildup is at 74.75 Put and unwinding at 77.00 Call

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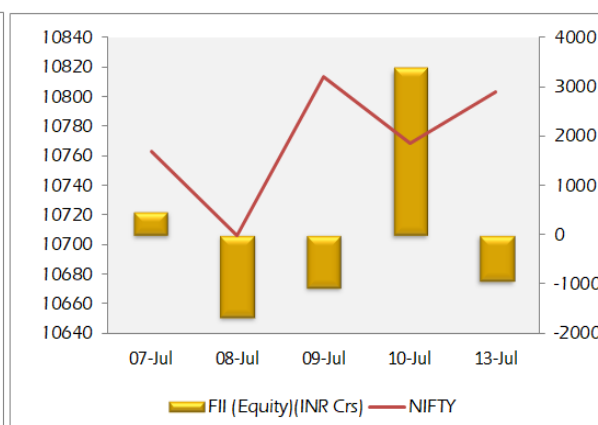
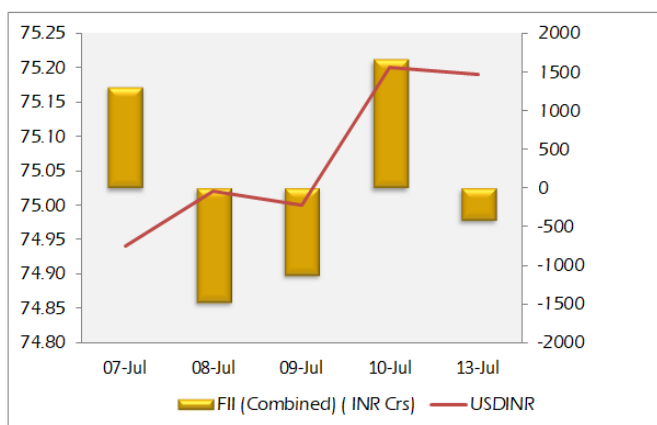


## • FII activity against USDINR and Nifty

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FIIs have so far withdrawn \$14.34 billion in the calendar year 2020

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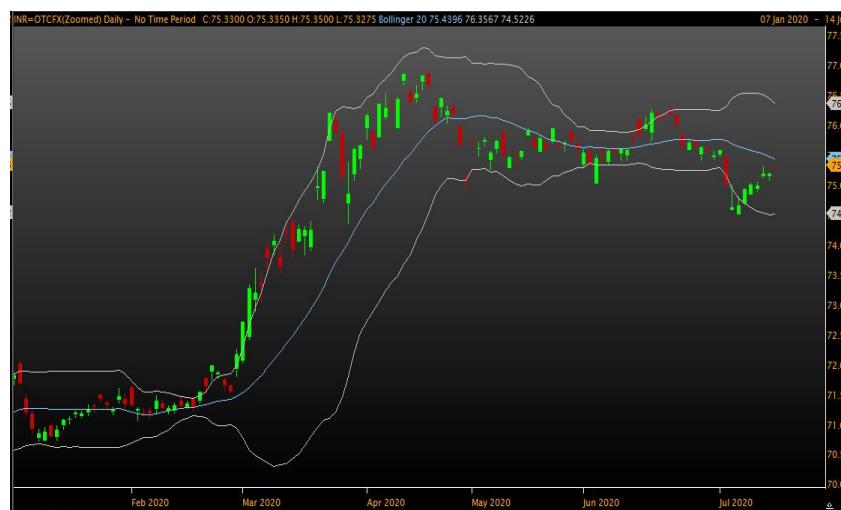
## Chart of the Day

## USDINR Spot: 75.33

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The USDINR pair opened higher today at 75.33 from the previous close of 75.19. Daily middle bollinger band level at 75.50 is likely to cap the upside for the short term. On the flipside, 74.90 - 75.00 range to act as strong support zone. The intraday view for the pair remains neutral.

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Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.17	0.34	0.48
EUR	-0.57	-0.50	-0.37	-0.28
JPY	0.04	-0.08	-0.03	0.10

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.24	0.68	2.86	6.55
EURINR	0.34	0.95	3.97	8.98
GBPINR	0.32	0.91	3.77	8.58
JPYINR	0.25	0.73	3.13	7.14

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	25338	-1.68
	SHANGHAI	3405	-1.10
	NIKKEI	22550	-1.03
INDIA	SENSEX	36394	-0.82
	NIFTY	10723	-0.74
EUROPE	CAC	5056	1.73
	DAX	12800	1.32
	FTSE	6176	1.33
US	DOW	26086	0.04
	NASDAQ	10391	-2.13

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1800.00	-14.00	-0.77
SILVER (\$/ounce)	19.45	-0.33	-1.67
Brent (\$/brl)	41.84	-0.88	-2.06%
Dollar INDEX	96.55	0.09	0.09
Bloomberg ADXY	103.08	-0.15	-0.15

FPI INFLOWS	FY 2020-21	CY 2020	13-Jul-20
EQUITY	26,372	-21,658	-934
DEBT	-28,371	-90,966	519
HYBRID	2,480	4,831	-2
TOTAL	481	-1,07,793	-417

Figures are in INR Crores

Pivot Points

“JPYINR pair is likely to face hurdle at 70.83 (R1)”

Pivot	S2	S1	P	R1	R2
USDINR	74.16	74.68	75.01	75.53	75.86
EURINR	84.45	84.71	84.94	85.20	85.43
GBPINR	92.13	93.52	94.38	95.77	96.63
JPYINR	68.71	69.51	70.03	70.83	71.35

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
13-Jul	INR	5:30 PM	CPI (YoY) (Jun)	6.09%	5.30%	5.84%	Bullish
14-Jul	JPY	10:00 AM	Industrial Production (MoM) (May)	-8.90%	-8.40%	-8.40%	Bearish
	GBP	11:30 PM	GDP (MoM)		-	-20.4%	
	GBP	11:30 PM	Manufacturing Production (MoM) (May)		8.0%	-24.3%	
	EUR	11:30 PM	German CPI (MoM) (Jun)		0.60%	0.60%	
	INR	12:00 PM	WPI Inflation (YoY) (Jun)		-2.4%	-3.21%	
	USD	6:00 PM	CPI (YoY) (Jun)		0.6%	0.1%	

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