



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

17 August 2020

From CEO's Desk



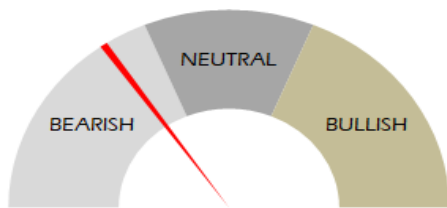
Mr. Abhishek Goenka

US-China phase 1 trade deal review scheduled to take place over the weekend was called off. Tensions between US-China continue to remain elevated. Taiwan formally signing a deal to purchase military jets from US would not go down well with Beijing. However, the markets seem to be disregarding this at this point. Most of the US data including Friday's retail sales have been coming in better than expected and that is holding risk sentiment up. Even a stalemate on the passage of second stimulus does not seem to be weighing on sentiment. RBI's FX Reserves rose another USD 3.6bn to a record USD 538.2bn. Trade deficit for July came in at USD 4.8bn compared to a surplus in the previous month. Imports have risen faster than exports. Pick up in imports is a sign of domestic demand picking up. The US Dollar has started the week off on a weak note. US real rates are still deep in negative territory and that could continue to weigh on the US Dollar. Asian currencies are stronger against the USD. Rupee is likely to continue to trade sideways. Likely range for today is 74.75-75.00. Nervousness in bond markets after MPC keeping rates on hold is evident as the 10Y security got devolved on PDs in Friday's auction. RBI refraining from announcing OMOs is weighing on sentiment in bond market.

Strategy: Exporters are advised to cover through Risk reversal strategy. Importers are advised to hold with a stop loss of 75.35. The 3M range for USDINR is 73.60 – 75.90 and the 6M range is 73.00 – 77.00.

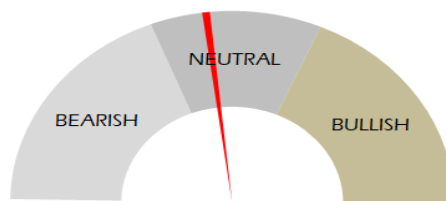
IFA Dollar- Rupee Sentiment Index

Intraday



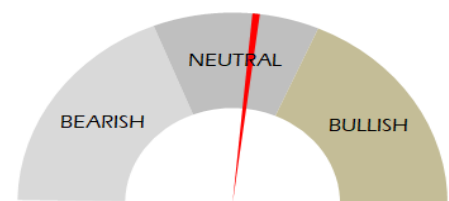
30%

Medium term (Upto 3 Months)



46%

Long term (3 to 6 Months)



53%

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

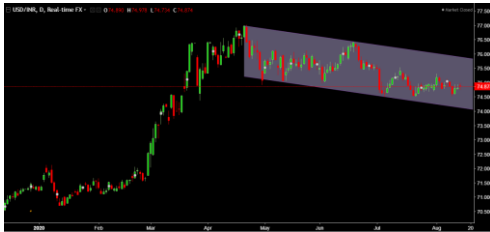
“ Rupee opens higher tracking gains in Asian peers and a weaker dollar

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- Biden leads Trump, 50% to 41%, in poll before conventions
- India's Gold imports dip 81% in April-July to \$2.47 bn, silver imports down 56.5%
- Trump signals he has more Chinese companies in his sights
- Japan's second quarter GDP shrinks at record 27.8% amid pandemic
- Weekend U.S.-China trade deal review got postponed

FX Outlook for the day

● USDINR (RANGE- 74.75 - 75.00)



USDINR pair opened marginally lower today as the US Dollar started the week off on a weak note. US real rates are still deep in negative territory and that could continue to weigh on the US Dollar. Central bank's Reserves have risen for seven straight weeks now. Recent price action in USDINR despite significant inflows, seems to suggest the Central bank is continuing to relentlessly shore up its Reserves further.



● EURUSD (RANGE- 1.1810 - 1.1910)



If we compare the prospects of a rebound from the pandemic between EU and US, Euro tends to gain over USD. Still some parts of US are under lockdown while the Eurozone has eased its lockdown measures since July. EURUSD basis has contracted a lot, indicating tremendous appetite to borrow in USD and swap into Euros. The Euro will be primarily driven by how US real rates move. 2 day Eurogroup meeting begins today.



● GBPUSD (RANGE- 1.3050 - 1.3140)



The British PM Boris Johnson has ordered the economy reopening, stating that a surge in new coronavirus cases that raised concerns two weeks ago had now stabilized. The UK cannot afford another big blow from coronavirus after reporting a 20% Q2 GDP decline. The country is scheduled to end the furlough program that saved millions of jobs in October. Short term trading range is 1.3000 - 1.3200.



● USDJPY (RANGE- 106.10 - 107.00)



USDJPY advanced in the last few sessions tracking a substantial recovery in US Treasury yields. Japan today reported its worst GDP on record as the ongoing Covid-19 outbreak dented consumption. The economy shrank at an annualised 27.8% in Q2 vs the market expectation of 27.2%. A big drop was anticipated following a state of emergency in April and May, while exports were slammed by shutdowns in U.S. & EU.



IFA Outlook

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FOMC meeting minutes and global PMI data will be in focus for this week

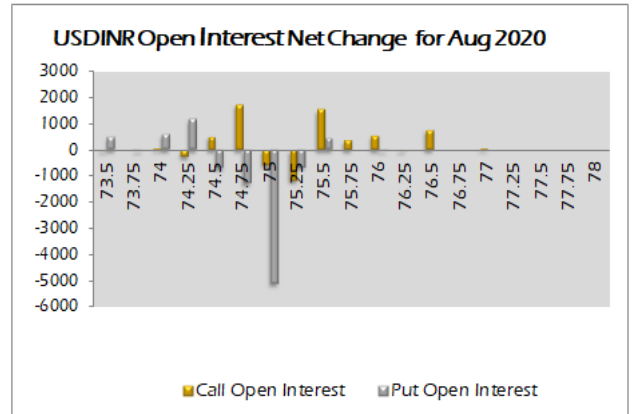
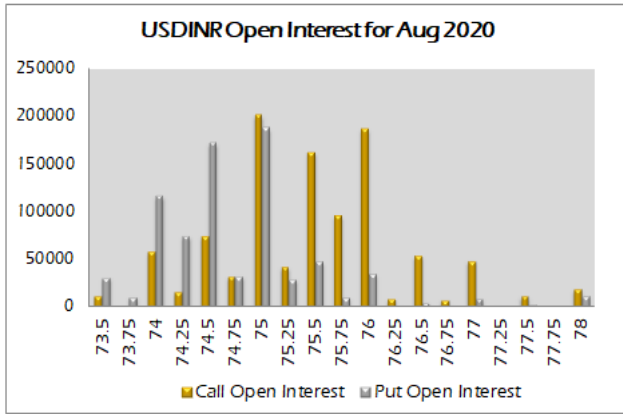
| | Q2 FY 2020-21 | | Q3 FY 2020-21 | | Q4 FY 2020-21 | | Q1 FY 2021-22 | |
|----------|----------------|---|----------------|---|----------------|---|----------------|---|
| USDINR | 73.60-76.50 | ↔ | 73.00-77.00 | | 73.00 - 77.00 | ↔ | 73.00-76.00 | ↔ |
| \$ INDEX | 92.50- 96.50 | ↓ | 92.00- 97.00 | ↔ | 95.00- 100.00 | ↓ | 95.00- 100.00 | ↓ |
| EURUSD | 1.1600-1.2000 | ↑ | 1.1800-1.2200 | ↑ | 1.2000-1.2400 | ↑ | 1.2000-1.2400 | ↑ |
| GBPUSD | 1.2800-1.3200 | ↑ | 1.2800-1.3400 | ↔ | 1.3000-1.3600 | ↑ | 1.3000-1.3600 | ↑ |
| USDJPY | 104.50-108.50 | ↓ | 105.00-109.00 | ↓ | 106.00-111.00 | ↔ | 107.00-112.00 | ↔ |
| AUDUSD | 0.6800-0.7300 | ↑ | 0.6800- 0.7400 | ↑ | 0.6450- 0.7100 | ↔ | 0.6800- 0.7500 | ↔ |
| GOLD | \$1850- \$2100 | ↑ | \$1800- \$2200 | ↑ | \$1900- \$2400 | ↑ | \$1900- \$2400 | ↑ |

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Activity Kurtosis

• USDINR Open Interest (August expiry)

“ Highest OI for both Call and Put stands at 75.00. Highest OI intraday buildup is seen at 74.75 for Call and unwinding at 75.00 for Put ”



• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$9.34 billion in the calendar year 2020 ”

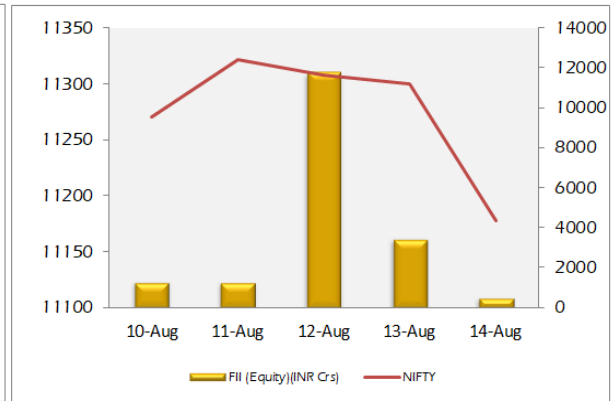
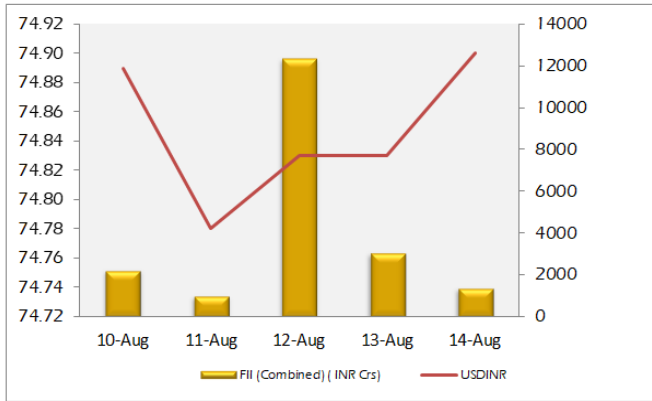
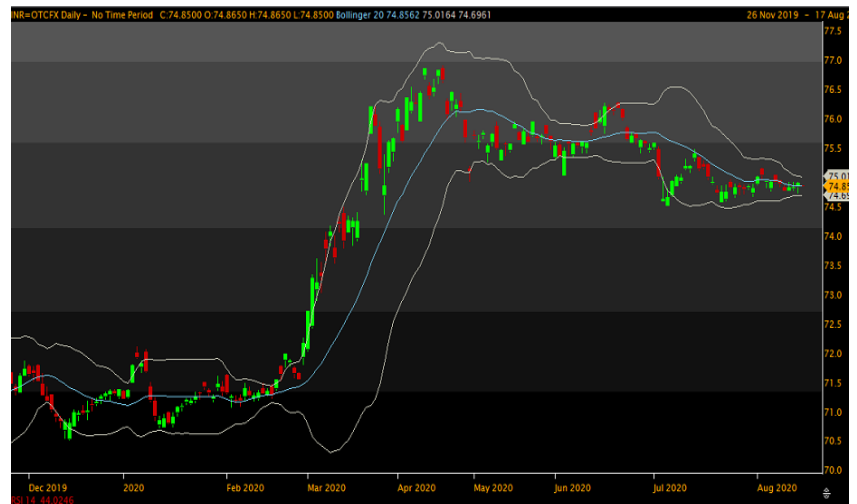


Chart of the Day

“ USDINR pair opened today near daily middle bollinger band level at 74.86. From last one week the pair is trading in 74.75- 75.00 range. The bollinger bands are contracting which indicates lower volatility in the pair on either side. A fresh momentum will begin after a subsequent break above or below the band. The pair is expected to trade on a sideways note. ”

USDINR: 74.85



Major Global Rates

LIBOR Rates

| LIBOR | ON | 1M | 6M | 1Y |
|-------|-------|-------|-------|-------|
| USD | 0.09 | 0.15 | 0.33 | 0.46 |
| EUR | -0.58 | -0.55 | -0.47 | -0.35 |
| JPY | 0.04 | -0.09 | -0.02 | 0.11 |

Rolling Forward Premiums (in paise)

| MONTH | 1M | 3M | 1Y | 2Y |
|--------|------|------|------|------|
| USDINR | 0.21 | 0.67 | 2.98 | 6.43 |
| EURINR | 0.30 | 0.97 | 4.25 | 9.14 |
| GBPINR | 0.29 | 0.92 | 4.06 | 8.73 |
| JPYINR | 0.22 | 0.71 | 3.22 | 6.95 |

Quick Glance

| REGION | GLOBAL INDICES | LAST | % CHANGE |
|--------|----------------|-------|----------|
| ASIA | HANG SENG | 25506 | 1.28 |
| | SHANGHAI | 3436 | 2.27 |
| | NIKKEI | 23089 | -0.86 |
| INDIA | SENSEX | 37751 | -0.33 |
| | NIFTY | 11149 | -0.26 |
| EUROPE | CAC | 4963 | -1.58 |
| | DAX | 12901 | -0.71 |
| | FTSE | 6090 | -1.55 |
| US | DOW | 27931 | 0.12 |
| | NASDAQ | 11019 | -0.21 |

| COMMODITIES/DI | LAST | CHANGE | % CHANGE |
|-------------------|---------|--------|----------|
| GOLD (\$/ounce) | 1951.00 | 1.60 | 0.08 |
| SILVER (\$/ounce) | 26.40 | 0.32 | 1.23 |
| Brent (\$/bbl) | 45.09 | 0.30 | 0.67 |
| Dollar INDEX | 92.99 | -0.08 | -0.09 |
| Bloomberg ADXY | 103.91 | -0.03 | -0.03 |

| FPI INFLOWS | FY 2020-21 | CY 2020 | 14-Aug-20 |
|-------------|------------|---------|-----------|
| EQUITY | 63,227 | 15,197 | 497 |
| DEBT | -30,440 | -93,035 | 858 |
| HYBRID | 5,546 | 7,897 | -15 |
| TOTAL | 38,333 | -69,941 | 1,340 |

Figures are in INR Crores

Pivot Points

GBPINR is likely to find immediate resistance at R1 (98.58)

| Pivot | S2 | S1 | P | R1 | R2 |
|--------|-------|-------|-------|-------|-------|
| USDINR | 74.30 | 74.58 | 74.81 | 75.09 | 75.32 |
| EURINR | 86.87 | 87.76 | 88.27 | 89.16 | 89.67 |
| GBPINR | 96.54 | 97.25 | 97.87 | 98.58 | 99.20 |
| JPYINR | 69.23 | 69.75 | 70.37 | 70.89 | 71.51 |

Macro Monitor

| | Currency | Time (IST) | Major Global Events | Actual | Forecast | Previous | Impact |
|--------|----------|------------|-----------------------------------|---------------|----------|----------|----------------|
| 14-Aug | CNY | 7:30 AM | Industrial Production (YoY) (Jul) | 4.80% | 5.1% | 4.8% | Bearish |
| | EUR | 2:30 PM | GDP (QoQ) (Q2) | -12.1% | -12.10% | -12.10% | Neutral |
| | INR | 12:00 PM | WPI Inflation (YoY) (Jul) | -0.58% | -1.00% | -1.81% | Bullish |
| | USD | 6:45 PM | Industrial Production (MoM) (Jul) | 3.00% | 3.00% | 5.4% | Bullish |
| 17-Aug | JPY | 5:20 AM | GDP (QoQ) (Q2) | -7.80% | -7.60% | -0.60% | Bearish |
| | JPY | 10:00 AM | Industrial Production (MoM) (Jun) | 1.9% | 2.7% | -8.9% | Bearish |

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