



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

22 July 2020

From CEO's Desk

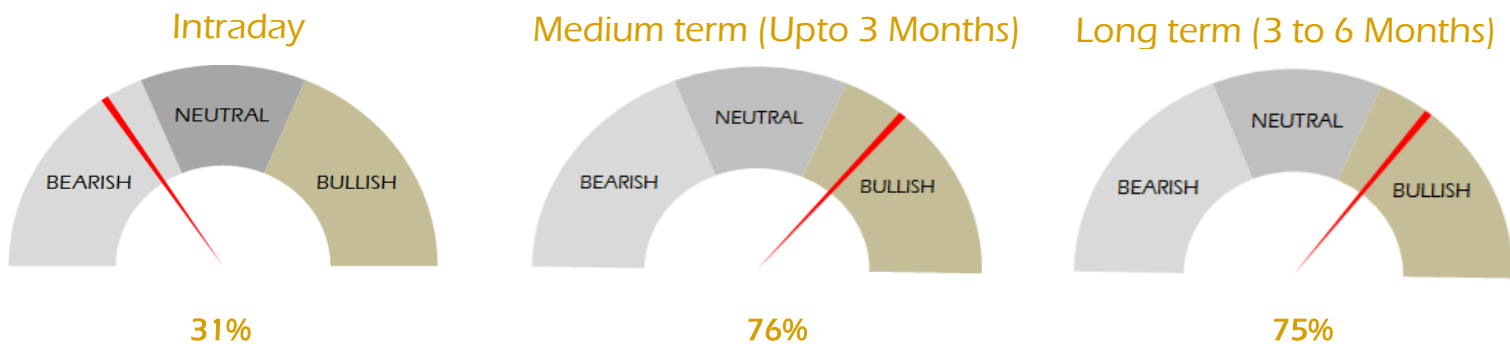


Mr. Abhishek Goenka

Major trading ranges that have been holding for more than a year have got broken with USD weakness continuing across the board. AUD/USD too broke through the 0.7050 resistance and traded its highest level since April 2019. The positive sentiment and the move lower in the USD have been accompanied by lower US yields and higher gold prices as well, which is a bit unusual of a typical risk on move. The ultra dovish forward guidance of the Fed and optimism around the size and composition of the second stimulus package to be announced in the US could explain that bit of correlation aberration. Gold is at its highest levels since Sept 2011. Equities too continue to rally globally on the back of upbeat risk sentiment. Nifty is up ~50% up from recent lows and about 10% away from all time highs. Nifty is likely to see resistance around 11250. USDINR looks set to test the crucial 74.50 support today. In the backdrop of global USD weakness the RBI may allow the pair to drift lower. It may not be as aggressive in mopping up inflows. Likely range for today 74.35-74.75 with down side bias.

Strategy: Exporters are advised at lower levels only cover through option strategy. Importers are advised to hold maintaining a stop loss of 75.00 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



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

“ Euro takes out barriers above 1.15 on EU summit outcome

- Brent oil hits four-month high on signals of economic recovery
- U.S. accuses Chinese nationals of hacking spree for COVID-19 data, defense secrets
- Measures to curb market volatility amid Covid-19 to stay till Aug 27: Sebi
- Seeing signs of revival, all options open on future interventions: FM
- EU leaders strike deal on €750bn recovery fund after marathon summit

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FX Outlook for the day

● USDINR (RANGE- 74.35 - 75.75)



USDINR pair opened lower for the sixth consecutive session and is trading at two week low level at 74.60. The positive sentiment and the move lower in the USD have been accompanied by lower US yields. In the backdrop of global USD weakness the RBI may allow the pair to drift lower. It may not be as aggressive in mopping up inflows. Nifty is up ~50% from recent lows and about 10% away from all time highs.



● EURUSD (RANGE- 1.1490 - 1.1600)



The Euro is trading at a 18-month high, triggered by European Union leaders striking a deal for a region-wide rescue plan, a huge step toward both recovery and a stronger union. The deal includes 390 billion euros of grants, down from an initially proposed 500 billion, along with 360 billion of low-interest loans. The bias for the pair remains bullish and could be seen targeting 1.1600 levels in the near term.



● GBPUSD (RANGE- 1.2670 - 1.2760)



Other than the hopes of further stimulus updates, the joint efforts of Oxford University and AstraZeneca are witnessing welcome results of a vaccine trial also favor the market's risk-tone sentiment. Moving on, the sixth round of the EU-UK Brexit talks will resume today. In order to ensure trade with minimum tariffs and customs barriers, the EU wants the UK to adhere to its high standards pertaining to state aid.



● USDJPY (RANGE- 106.50 - 107.30)



USDJPY pair fell to one week low at 106.80 as the greenback weakened across the board. US Senators are also up for discussing another tranche of the stimulus. While the ruling Republican party is about to propose \$1.0 trillion of an aid package, the opposition Democratic party prepares for over \$3.00 trillion. The fiscal package is likely to be out by the end of July.



IFA Outlook

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Brexit headlines, announcement of further stimulus packages 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	94.50- 98.00 ↓	94.00- 98.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.1200-1.1700 ↑	1.1300-1.1800 ↑	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	0.6800-0.7300 ↑	0.6800- 0.7400 ↑	0.6450- 0.7100 ↔	0.6800- 0.7500 ↔
GOLD	\$1650- \$1950 ↑	\$1600- \$1900 ↑	\$1550- \$1850 ↑	\$1450- \$1800 ↑

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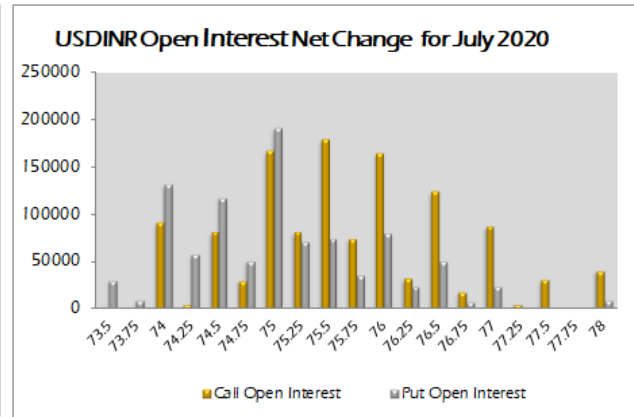
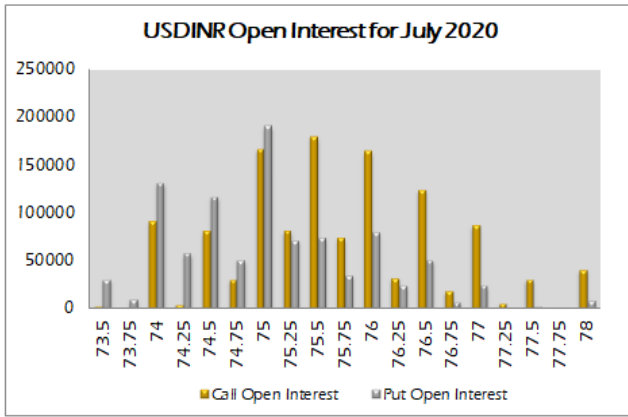
Activity Kurtosis

• USDINR Open Interest (July expiry)

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

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• FII activity against USDINR and Nifty

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FII have so far withdrawn \$ 14.79 billion in the calendar year 2020

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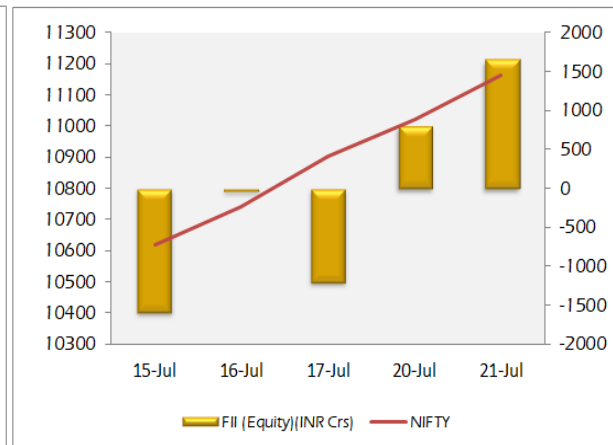
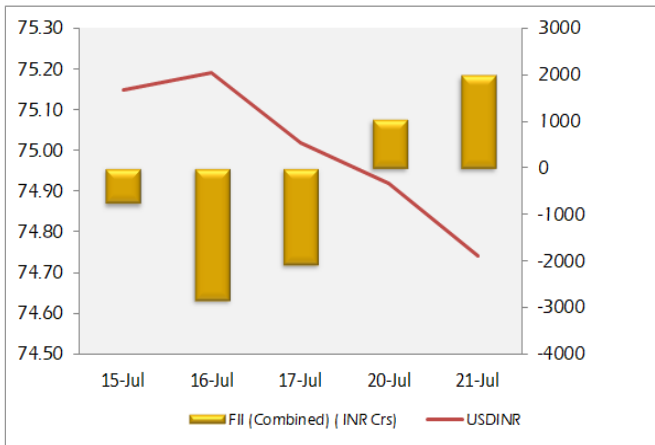


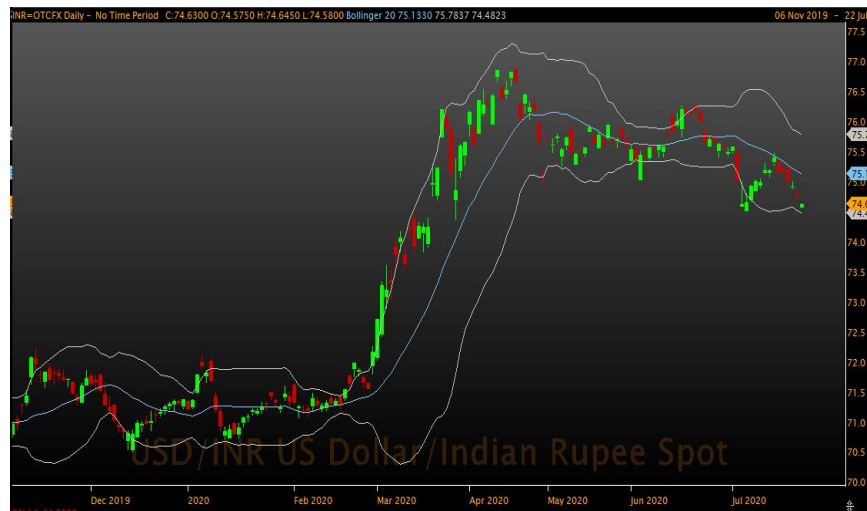
Chart of the Day

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USDINR pair gave a gap down opening today at 74.58. Major technical factors such as stochastics, MACD and EMA 5-22 indicate bearishness bias for the pair. Daily middle bollinger level held as strong resistance in the last one week. Currently, it has shifted to 75.15. The pair is likely to test 74.50 again.

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USDINR Spot: 74.60



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.09	0.18	0.34	0.46
EUR	-0.58	-0.50	-0.41	-0.30
JPY	0.04	-0.07	-0.03	0.10

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.23	0.69	2.93	6.59
EURINR	0.32	0.98	4.10	9.15
GBPINR	0.31	0.93	3.91	8.77
JPYINR	0.24	0.73	3.17	7.13

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	25656	0.08
	SHANGHAI	3361	1.20
	NIKKEI	22772	-0.49
INDIA	SENSEX	37835	-0.25
	NIFTY	11133	-0.26
EUROPE	CAC	5104	0.22
	DAX	13172	0.96
	FTSE	6270	0.13
US	DOW	26840	0.60
	NASDAQ	10680	-0.81

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1856.24	13.56	0.74
SILVER (\$/ounce)	22.36	0.00	-0.01
Brent (\$/brl)	44.11	-0.20	-0.47
Dollar INDEX	95.11	-0.01	-0.01
Bloomberg ADXY	103.22	-0.02	-0.02

FPI INFLOWS	FY 2020-21	CY 2020	21-Jul-20
EQUITY	25,909	-22,121	1,648
DEBT	-30,593	-93,188	348
HYBRID	2,443	4,794	-2
TOTAL	-2,241	-1,10,515	1,994

Figures are in INR Crores

Pivot Points

	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

JPYINR is likely to find support at S1 (69.51)

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
21-Jul	JPY	Tentative	National Core CPI (YoY) (Jun)	0.00%	-0.1%	-0.2%	Bullish
22-Jul	AUD	7:00 AM	Retail Sales (MoM)	2.40%	7.1%	16.9%	Bearish
	USD	7:30 PM	Existing Home Sales (MoM) (Jun)		24.5%	-9.7%	

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