

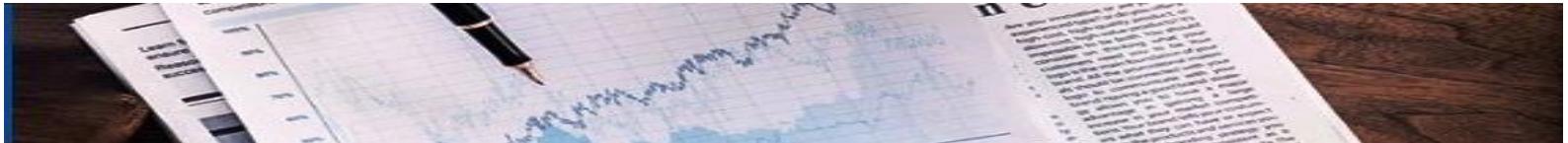


FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

17 September 2020



From CEO's Desk

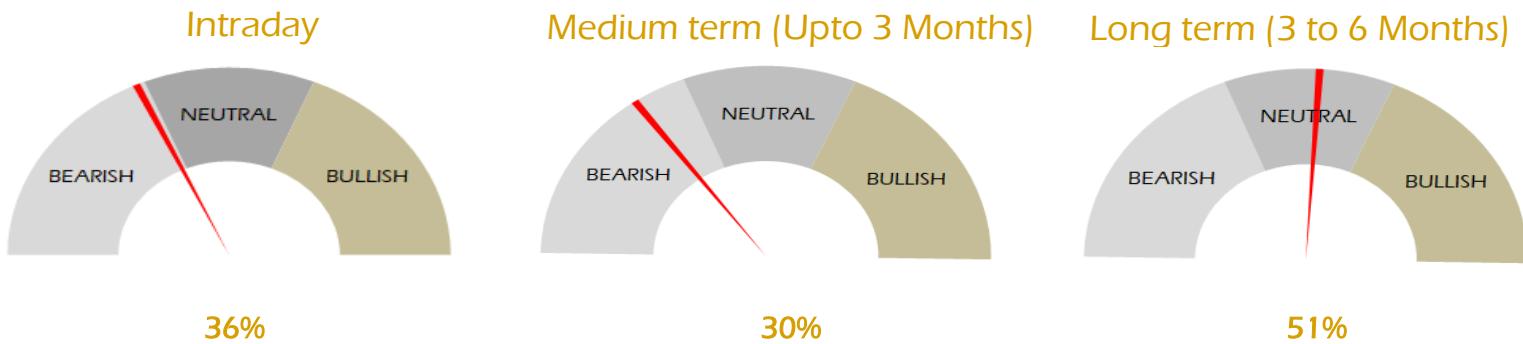


Mr. Abhishek Goenka

The US Federal Reserve said it would keep the policy accommodative until inflation moderately overshoot 2% for some time. Most Fed members see the Federal funds rate at 0% until atleast 2023. Fed members see the inflation returning to close to 2% levels by 2023 and unemployment rate close to 4% by 2023. The Fed would also maintain the current pace of asset purchases of USD 120bn per month until necessary. Though the policy is as dovish as it can get, the market was already expecting this. As we have been highlighting for a while now, a lot of the dovishness is already priced in. The threshold therefore in terms of what the Fed would have to say or do is extremely high for the US Dollar to weaken from here. In terms of impact, the US Dollar has strengthened post the policy. The Euro is now at 1.1750, the lower end of its recent trading range. US yields are almost unchanged. US equities which were trading with gains of around 1%, gave up gains post policy. Prior to the policy, US August retail sales had come in weaker than expected (0.6% MoM against expectations of 1%). The Yuan is continuing to strengthen and that should limit USD strength against Asian currencies. Rupee is likely to trade 73.50-73.85 intraday with up side bias. Market will look for clues as to how it sees EU-UK negotiations and what would be its reaction function in case of a no deal Brexit scenario. US weekly jobless claims also due today.

Strategy: Exporters are advised to cover on upticks towards 74.00. Importers are advised to hold. The 3M range for USDINR is 72.50 – 74.50 and the 6M range is 72.50 – 75.40.

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

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BoJ and Fed stand pat, focus turns to BoE meeting

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- BOJ holds rate, sees economic gloom lifting slightly
- Fed sees rates near zero through 2023 to boost jobs, inflation
- US retail sales slowdown points to effect of stimulus withdrawal
- India equity sales hit record high even as Covid-19 upends IPOs
- Gold drops 1% as dollar rises after Fed's upbeat economic view

FX Outlook for the day

● USDINR (RANGE- 73.40 - 73.75)



USDINR pair opened sharply higher today at 73.72 compared to previous close. Broad dollar strength post Fed meeting and weakness in the Asian currencies weighed on the Rupee. With no major surprises from the Fed policy, the pair should continue to trade the 73.00-74.00 range a while longer. While several inflows are queued up, we expect the RBI to continue accumulating reserves limiting down side.



● EURUSD (RANGE- 1.1700 - 1.1790)



EURUSD pair breached the trendline support of 1.1800 and fell down sharply to 1.1750 post Fed interest rate decision. Crucial support for the pair now stands near 1.1700, a break below this level to initiate further downside move. Eurozone final CPI readings and US weekly jobless claims data to influence the price action. The dollar index has made a strong comeback post Fed meeting.



● GBPUSD (RANGE- 1.2870 - 1.3000)



The GBPUSD pair neared the 1.3000 level as UK offered concessions on fisheries in trade talks. The pair erased gains post Fed meeting. The Bank of England is expected to keep rates on hold at 0.10%, its expectations regarding pick up in economic activity will be important. Market will look for clues as to how it sees EU-UK negotiations and what would be its reaction function in case of a no deal Brexit scenario.



● USDJPY (RANGE- 104.60 - 105.50)



The Bank of Japan decided to keep its short-term policy interest rate at minus 0.1 pct and 10-year government bond yields around 0%. The BoJ Governor upgraded its assessment of Japan's economy, saying it has started to pick up resuming gradually, although it has remained in a severe situation. Yen is trading higher against dollar from last couple of sessions and is likely to extend move towards 104.60.



IFA Outlook

“ Key events for the week are BoE monetary policy meeting, US macro data and Brexit headlines ”

Q2 FY 2020-21

Q3 FY 2020-21

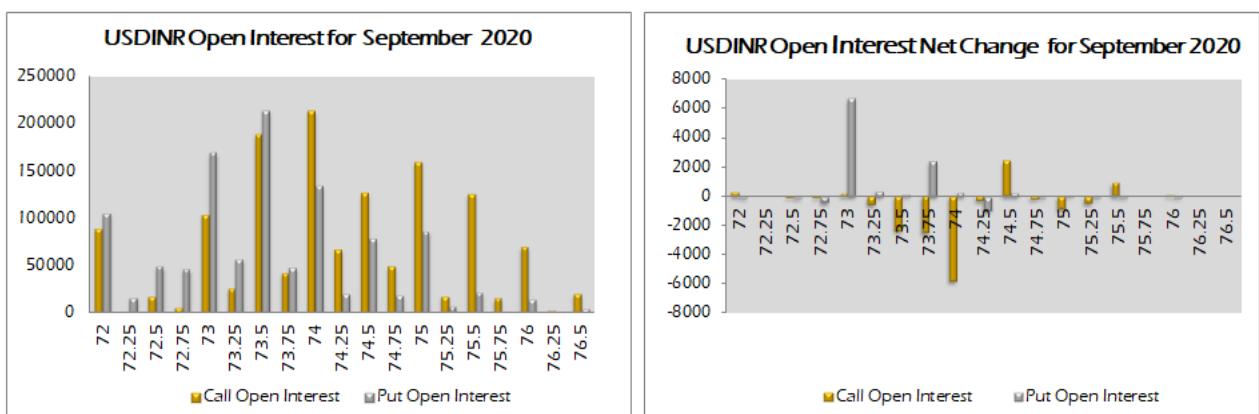
Q4 FY 2020-21

Q1 FY 2021-22

USDINR	72.50-74.50	⬇️	72.50-75.50	⬇️	73.00 - 77.00	↔	73.00-76.00	↔
\$ INDEX	91.50- 94.50	⬇️	92.00- 96.00	↔	95.00- 100.00	⬇️	95.00- 100.00	⬇️
EURUSD	1.1700-1.2100	⬆️	1.1800-1.2200	⬆️	1.2000-1.2400	⬆️	1.2000-1.2400	⬆️
GBPUSD	1.2700-1.3200	↔	1.3000-1.3600	⬆️	1.3300-1.3800	↑	1.3300-1.3800	⬆️
USDJPY	104.50-108.50	↔	105.00-109.00	⬇️	106.00-111.00	↔	107.00-112.00	↔
AUDUSD	0.7100-0.7500	⬆️	0.7100- 0.7500	⬆️	0.7200- 0.7600	↔	0.7200- 0.7600	↔
GOLD	\$1850- \$2100	⬆️	\$1800- \$2200	⬆️	\$1900- \$2400	⬆️	\$1900- \$2400	⬆️

Activity Kurtosis

• USDINR Open Interest (September expiry)



• FII activity against USDINR and Nifty

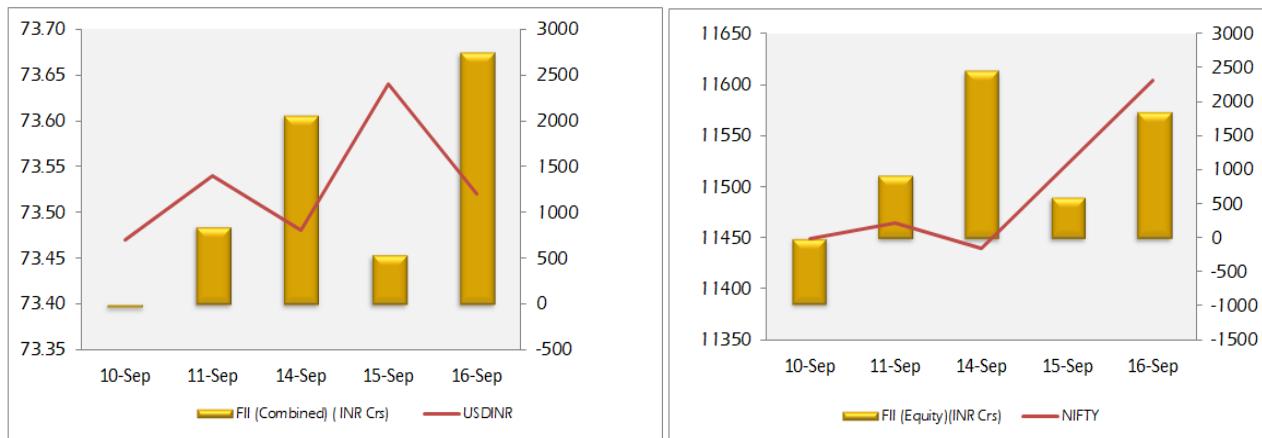
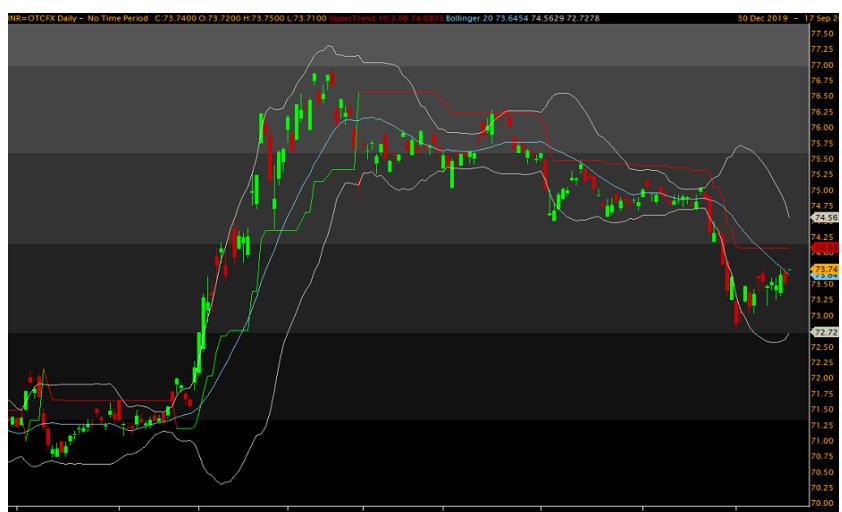


Chart of the Day

USDINR: 73.75



Highest OI for Call is at 74.00 and Put at 73.50. Highest OI intraday unwinding is seen at 74.00 Call and buildup at 73.00 for Put

FII have so far withdrawn \$6.21 billion in the calendar year 2020

USDINR pair opened higher today at 73.72 which is also the daily middle bollinger level. The trading range has now shifted to higher side to 73.00 - 74.00. Intraday, if it manages to hold above 73.75- 73.80, then it could be seen further targeting 74.00 - 74.10 range. However, daily supertrend level at 74.05 to act as a strong resistance.

Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.15	0.27	0.38
EUR	-0.58	-0.56	-0.50	-0.43
JPY	0.04	-0.12	-0.04	0.09

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.22	0.70	3.18	6.90
EURINR	0.32	0.99	4.51	9.75
GBPINR	0.30	0.95	4.32	9.34
JPYINR	0.24	0.74	3.44	7.44

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	24328	-1.61
	SHANGHAI	3251	-0.99
	NIKKEI	23340	-0.58
INDIA	SENSEX	39203	-0.26
	NIFTY	11574	-0.26
	CAC	5074	0.13
US	DAX	13255	0.29
	FTSE	6078	-0.44
	DOW	28032	0.13
	NASDAQ	11040	-1.25

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1946.00	-24.00	-1.21
SILVER (\$/ounce)	26.95	-0.52	-1.90
Brent (\$/bbl)	41.83	-0.37	-0.88
Dollar INDEX	93.54	0.33	0.35
Bloomberg ADXY	105.36	-0.34	-0.32

FPI INFLOWS	FY 2020-21	CY 2020	16-Sep-20
EQUITY	85,561	37,532	1,854
DEBT	-31,130	-93,726	896
HYBRID	8,206	10,557	-10
TOTAL	62,637	-45,637	2,740

Figures are in INR Crores

Pivot Points

Pivot	S2	S1	P	R1	R2
USDINR	72.52	72.98	73.47	73.93	74.42
EURINR	85.93	86.45	86.94	87.46	87.95
GBPINR	91.47	92.70	95.04	96.27	98.61
JPYINR	68.39	68.78	69.29	69.68	70.19

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Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
16-Sep	GBP	11:30 AM	CPI (YoY) (Aug)	0.2%	0.1%	1.00%	Bullish
	USD	6:00 PM	Retail Sales (MoM) (Aug)	0.60%	1.0%	1.2%	Bearish
	USD	11:30 PM	Fed Interest Rate Decision	0.25%	0.25%	0.25%	Neutral
17-Sep	JPY	8:00 AM	BoJ Interest Rate Decision	-0.10%	-0.10%	-0.10%	Neutral
	GBP	4:30 PM	BoE Interest Rate Decision (Sep)		0.10%	0.10%	
	USD	6:00 PM	Initial Jobless Claims		850K	884K	

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