



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

31 July 2020

From CEO's Desk



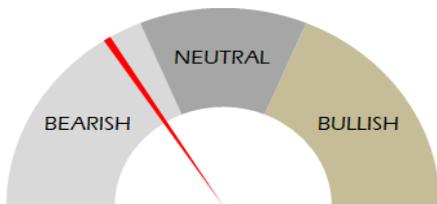
Mr. Abhishek Goenka

US GDP contracted 32.9% in Q2 (Apr-Jun) in annualized terms. It was the sharpest contraction ever recorded. However, the consensus estimate itself was -34.5% and the market had largely factored this in. The markets were spooked by the Jobless claims rising by more than expected i.e. 1.4mn. Continuing claims at 17mn were also higher than expected. Jobless claims have been higher than 1mn for 19 straight weeks. The first stimulus' benefits shall expire tomorrow and with the Congress still deliberating the second package, markets are nervous about the jobless claims spiking sharply over the next few weeks if no consensus is reached. Equities too used the disappointing data as an excuse to shed some froth. Rupee is likely to trade 74.50-74.85. US President Trump has floated a notion of postponing the elections (due to be held in November) on concerns over malpractices in mail in voting. There is no precedent of the elections having been postponed in the past and it can't be done without the approval of both the houses of the Congress (one of which i.e. the House of Representatives at present is controlled by the Democrats). There was some verbal intervention in the Yen today as it approached close to 104.

Strategy: Exporters have been advised to cover at lower levels only 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 - 75.90 and the 6M range is 73.00 - 77.00.

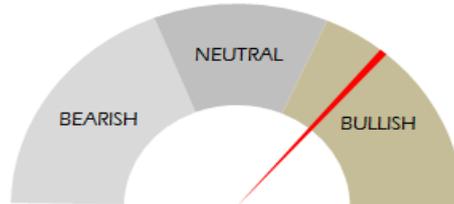
IFA Dollar- Rupee Sentiment Index

Intraday



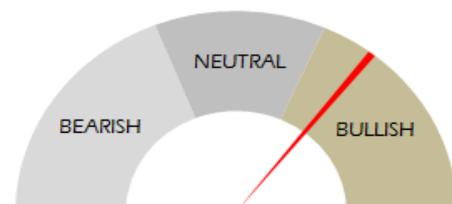
31%

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 higher as the dollar index weakens to a 27 month low ”

- US economy records worst quarterly plunge ever, GDP shrinks 33%
- German economy shrinks at record pace in 'recession of a century'
- Trump floats prospect of delay in US election
- Japan's factory output rebounds, jobless rate dips as lockdown lifts
- China warns India against 'forced decoupling' of their economies

FX Outlook for the day

● USDINR (RANGE- 74.50 - 74.85)



USDINR opened lower today by 9 paise at 74.75, as the greenback weakened across the board. The Dollar index has fallen in 9 out of the last 10 sessions and is at its lowest level in last 2 years. New 10y GOI benchmark security will be auctioned today. Post market we have the domestic June core sector data, GST collection in July and fiscal deficit data.



● EURUSD (RANGE- 1.1840 - 1.1950)



EURUSD pair rose more than 150 pips from the yesterday's lows, currently hovering around 1.1890. The pair is likely to extend its bullish momentum targeting 1.2000 psychological mark. The German economy contracted by 10.1% in Q2 which was worse-than-expected and worst since 1970. However, markets ignored weak growth numbers. Focus will now turn to Eurozone inflation, GDP and German retail sales data.



● GBPUSD (RANGE- 1.3080 - 1.3200)



GBPUSD pair breached critical resistance of 1.3000 psychological mark and extended its bullish leg, currently hovering around 1.3130. This comes despite lockdowns in some parts of the UK being reimposed. Broad USD weakness, weighed by concerns over fiscal commitment and deteriorating growth numbers of US has benefited GBP for the 10th straight day. The pair is likely to target 1.3200 level.



● USDJPY (RANGE- 103.40 - 104.60)



USDJPY pair extended its south-run, descending towards four-month lows at 104.30, tracking the persistent weakness in the US dollar amid fiscal stand-off and economic concerns. The coronavirus resurgence also weighs down on the sentiment. Japan's industrial output in June came at 2.7%, rebounded from the contraction of 8.9% in May. Also, the unemployment rate fell to 2.8% (exp:3.1% and Prev:2.9%)



IFA Outlook

“ Discussion over proposed US stimulus package and macro data to set the theme for the short term.

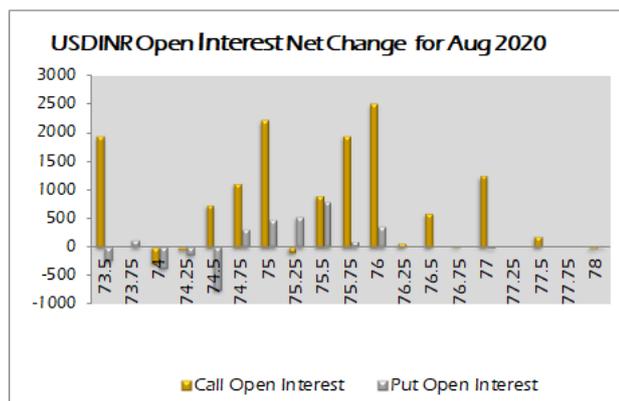
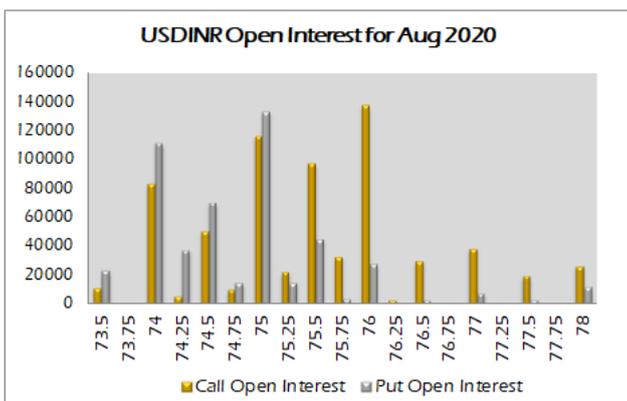
	Q2 FY 2020-21	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22
USDINR	73.60-76.50 ↑	73.00-77.00 ↑	73.00 - 77.00 ↑	73.00-76.00 ↑
\$ INDEX	92.50- 96.50 ↓	92.00- 97.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.1600-1.2000 ↑	1.1800-1.2200 ↑	1.2000-1.2400 ↑	1.2000-1.2400 ↑
GBPUSD	1.2600-1.3200 ↑	1.2800-1.3400 ↔	1.3000-1.3600 ↑	1.3000-1.3600 ↑
USDJPY	104.50-109.00 ↓	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	\$1750- \$2000 ↑	\$1700- \$2000 ↑	\$1550- \$1850 ↑	\$1450- \$1800 ↑

”

Activity Kurtosis

• USDINR Open Interest (August expiry)

“ Highest OI for Call is at 76.00 and for Put stands at 75.00. Highest OI intraday build up is seen at 76.00 for Call and at 75.50 for Put. ”



• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$ 13.61 billion in the calendar year 2020 ”

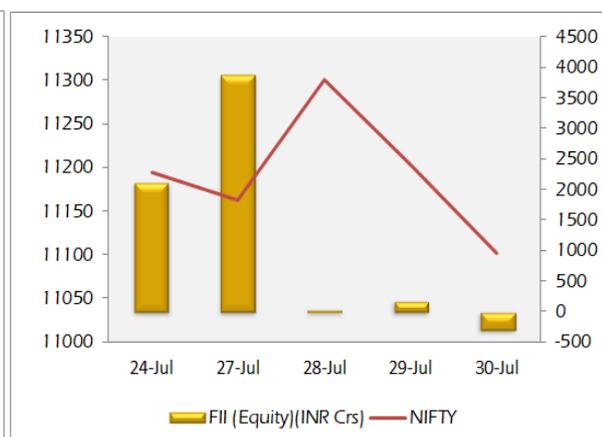
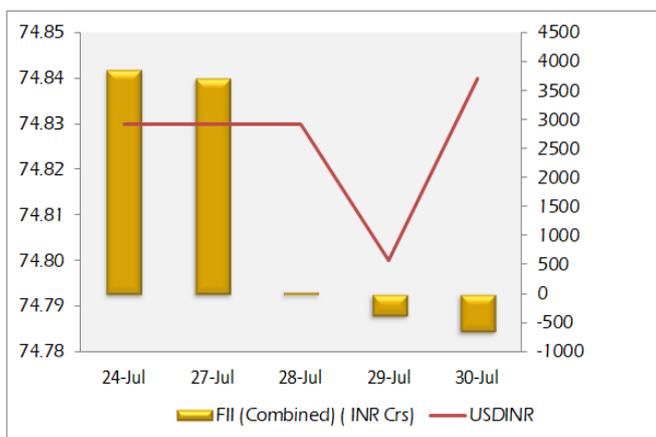


Chart of the Day

USDINR Spot: 74.75

“ The USDINR pair continues to remain in the 74.50 - 75.00 band in over two weeks. Daily middle bollinger band as well as falling trendline resistance level has now shifted to 74.80 - 74.90 range which will act as strong resistance zone. On the flipside, intraday support stands at 74.50. Either side breakout of 74.50 - 75.00 range to guide further direction. ”



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.09	0.16	0.31	0.46
EUR	-0.58	-0.50	-0.43	-0.33
JPY	0.04	-0.07	-0.03	0.10

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.22	0.67	2.89	6.25
EURINR	0.31	0.97	4.14	8.95
GBPINR	0.30	0.93	3.95	8.53
JPYINR	0.23	0.73	3.18	6.90

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	24764	0.22
	SHANGHAI	3285	-0.05
	NIKKEI	21825	-2.30
INDIA	SENSEX	37859	0.33
	NIFTY	11132	0.27
EUROPE	CAC	4853	-2.13
	DAX	12380	-3.45
	FTSE	5990	-2.31
US	DOW	26314	-0.85
	NASDAQ	10715	0.49

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1962.00	19.00	1.00
SILVER (\$/ounce)	23.76	0.40	1.73
Brent (\$/brl)	43.47	0.22	0.51
Dollar INDEX	92.64	-0.38	-0.40
Bloomberg ADXY	103.68	0.14	0.14

FPI INFLOWS	FY 2020-21	CY 2020	30-Jul-20
EQUITY	35,658	-12,372	-291
DEBT	-31,733	-94,328	-360
HYBRID	2,512	4,863	1
TOTAL	6,437	-1,01,837	-650

Figures are in INR Crores

Pivot Points

“ USDINR is likely to find resistance at R1 (75.02) ”

Pivot	S2	S1	P	R1	R2
USDINR	74.25	74.50	74.77	75.02	75.29
EURINR	84.55	85.84	86.52	87.81	88.49
GBPINR	94.90	95.27	95.51	95.88	96.12
JPYINR	68.94	69.70	70.23	70.99	71.52

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
30-Jul	EUR	1:30 PM	German GDP (QoQ) (Q2)	-10.10%	-9.00%	-2.20%	Bearish
	USD	6:00 PM	GDP (QoQ) (Q2)	-32.90%	-34.10%	-5%	Bullish
	USD	6:00 PM	Initial Jobless Claims	1434K	1450K	1416K	Bullish
31-Jul	CNY	6:30 AM	Manufacturing PMI (Jul)	51.1	50.7	50.9	Bullish
	EUR	2:30 PM	CPI (YoY) (Jul)		0.20%	0.30%	
	EUR	2:30 PM	GDP (QoQ)		-11.20%	-3.6%	
	INR	5:30 PM	Infrastructure Output (YoY) (Jun)		-	-23.4%	

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