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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

12 August 2020

From CEO's Desk



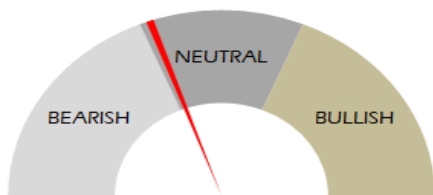
Mr. Abhishek Goenka

The IIP contracted 16.6% yoy in June against expectations of a 21% contraction and 33.9% contraction recorded in May. Though there has been a sequential i.e. month on month pick up in industrial output, the pace of recovery from year ago levels seems to quashing any hopes of a V-shaped recovery. Moreover, as localized lockdowns continue, Corona cases curve takes longer to flatten and pent up demand from lockdown seen in June and July fades, there is a risk of the economic recovery plateauing out. Therefore the pace of recovery in high frequency indicators is what will continue to remain in focus. News of Russia registering its first vaccine for Coronavirus has lift risk sentiment. The news came in just post OTC hours which resulted in USDINR selling off in exchange traded futures. Hopes of Republicans and Democrats still managing to reach an agreement on fiscal stimulus has also aided sentiment. Rise in US nominal rates has caused real rates to rise as well. Gold too has corrected significantly on rise in US real rates. USD has strengthened against major currencies overnight. 74.40 is a crucial support for USDINR, break of which can trigger stops leading to a rapid move lower. USDINR is likely to trade 74.50-74.85 range intraday. Asian currencies are weak against the USD. UK Q2 GDP and US July core CPI data due today.

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.

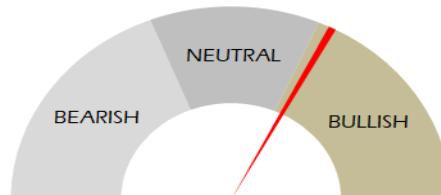
IFA Dollar- Rupee Sentiment Index

Intraday



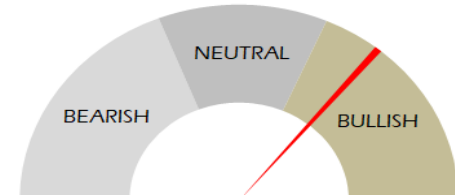
40%

Medium term (Upto 3 Months)



65%

Long term (3 to 6 Months)



71%

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

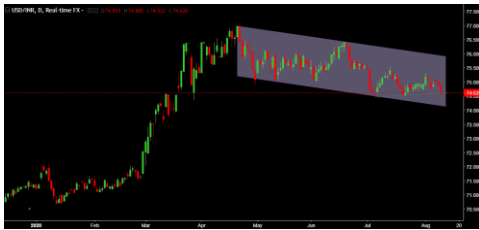
“ Russia registering its first vaccine for Coronavirus lifts risk sentiment

- Gold falls below \$1900 on rising US yields, stronger dollar
- US Senators call for tariffs to be removed on food items from the European Union
- ICICI Bank launches QIP with floor price of Rs 351.36, eyes Rs 15,000 cr
- I-T dept searches Chinese entities over hawala transactions of Rs 1,000 cr
- India's industrial output shrinks 16.6% in June due to coronavirus lockdown

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FX Outlook for the day

● USDINR (RANGE- 74.50 - 74.85)



USDINR pair opened on a flat note today at 74.77 level. QIP related inflows may continue today. This would cap upside in USDINR. RBI strategy of Reserve accumulation, weakness in Asian currencies amid strength in the dollar index likely to offset the gains in the Rupee. Focus today will be on domestic and US CPI inflation data to be slated after market hours.



● EURUSD (RANGE- 1.1660 - 1.1770)



America's top trade official, Robert Lighthizer, is considering fresh tariffs that could increase prices on a range of European goods related to food and beverages. The 25% tariff already imposed in October 2019 were in retaliation for EU subsidies on large aircraft. US last year won WTO authorization to impose tariffs on up to \$7.5 billion of EU goods. This led to sell-off in the Euro, with the pair now trading at one week low.



● GBPUSD (RANGE- 1.2980 - 1.3070)



Latest employment figures didn't really make for good reading but the number is largely redundant as the furlough scheme will be running till October. The UK GDP is expected to contract by 21% in April - June quarter, marking the second consecutive quarter of GDP decline entering into technical recession. UK Trade balance and industrial production data also due later today.



● USDJPY (RANGE- 106.30 - 107.20)



USDJPY pair prints four-day winning streak, currently hovering near three-week high at 106.75 mark. USD has strengthened against major currencies overnight. News of Russia registering its first vaccine for Coronavirus has lifted risk sentiment. Hopes of reaching an agreement on fiscal stimulus has also aided sentiment. There were positive surprises on the US data front. US CPI due later today.



IFA Outlook

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RBI Dividend, US China trade deal review & macro data will be in focus for this week

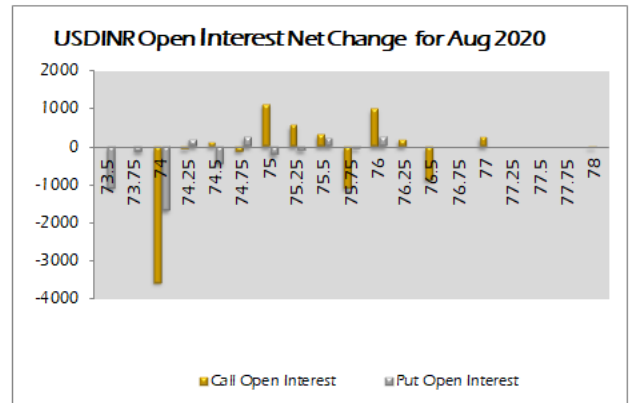
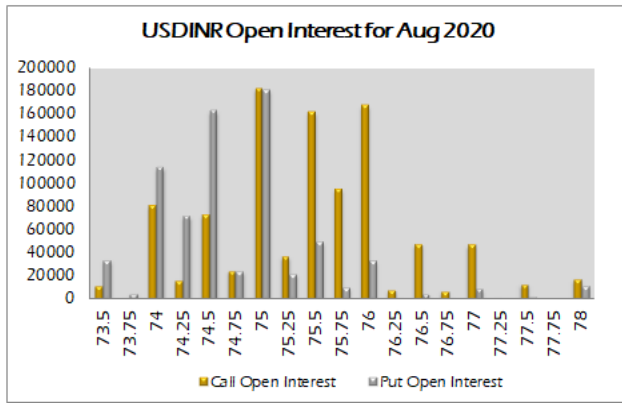
	Q2 FY 2020-21		Q3 FY 2020-21		Q4 FY 2020-21		Q1 FY 2021-22	
USDINR	73.60-76.50	↔	73.00-77.00	↑	73.00 - 77.00	↑	73.00-76.00	↑
\$ INDEX	92.50- 96.50	↓	92.00- 97.00	↔	95.00- 100.00	↓	95.00- 100.00	↓
EURUSD	1.1600-1.2000	↑	1.1800-1.2200	↑	1.2000-1.2400	↑	1.2000-1.2400	↑
GBPUSD	1.2800-1.3200	↑	1.2800-1.3400	↔	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)

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Highest OI for both Call and Put stands at 75.00. Highest OI intraday unwinding is seen at 74.00 for both Call and Put
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• FII activity against USDINR and Nifty

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FIIs have so far withdrawn \$11.59 billion in the calendar year 2020
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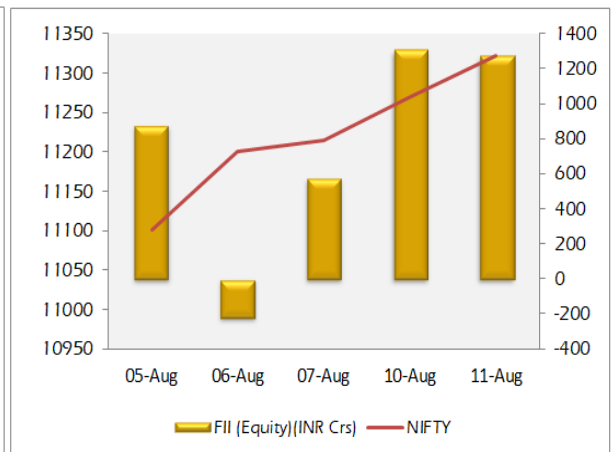
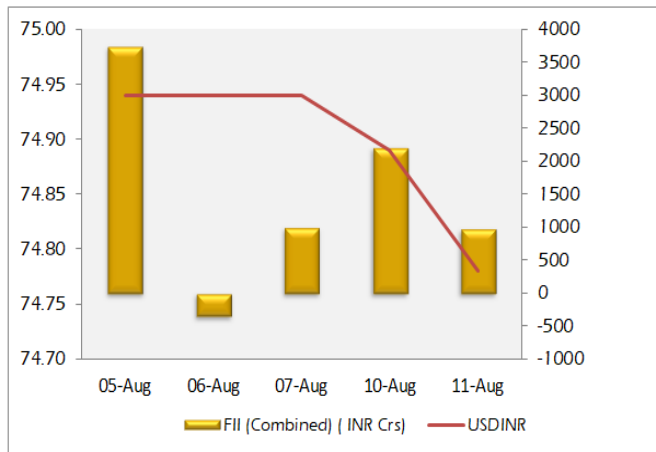
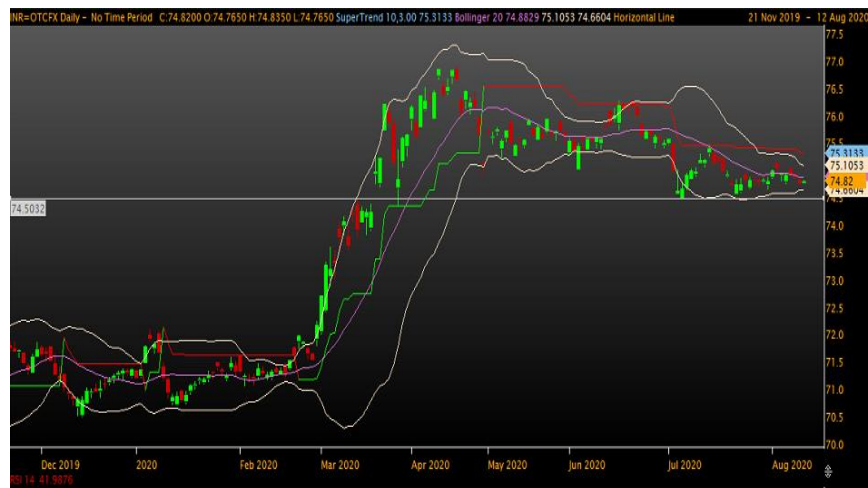


Chart of the Day

USDINR: 74.82

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USDINR is trading slightly higher after opening flat at 74.77. Daily middle bollinger band level at 74.90 level is likely to act as hurdle for intraday. 74.50 level on the downside continue to act as a solid support. The intraday view for the pair remains neutral.
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Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.09	0.16	0.34	0.46
EUR	-0.58	-0.54	-0.47	-0.35
JPY	0.04	-0.08	-0.03	0.11

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.22	0.66	2.90	6.41
EURINR	0.31	0.94	4.11	9.06
GBPINR	0.30	0.89	3.92	8.64
JPYINR	0.23	0.70	3.13	6.94

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	24843	-0.19
	SHANGHAI	3274	-1.99
	NIKKEI	22837	0.38
INDIA	SENSEX	38263	-0.37
	NIFTY	11281	-0.37
EUROPE	CAC	5027	2.41
	DAX	12947	2.04
	FTSE	6154	1.71
US	DOW	27687	-0.38
	NASDAQ	10783	-1.69

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1884.00	-61.00	-3.11
SILVER (\$/ounce)	23.97	-2.07	-8
Brent (\$/brl)	44.68	0.18	0.40
Dollar INDEX	93.85	0.22	0.23
Bloomberg ADXY	103.86	-0.10	-0.10

FPI INFLOWS	FY 2020-21	CY 2020	11-Aug-20
EQUITY	47,500	-530	1,272
DEBT	-31,478	-94,074	-297
HYBRID	5,574	7,925	8
TOTAL	21,596	-86,679	983

Figures are in INR Crores

Pivot Points

	Pivot	S2	S1	P	R1	R2
USDINR		74.48	74.76	75.03	75.31	75.58
EURINR		87.29	87.87	88.52	89.10	89.75
GBPINR		96.83	97.38	98.11	98.66	99.39
JPYINR		70.40	70.61	70.90	71.11	71.40

“ EURINR is likely to find immediate support at S2 (87.29) ”

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
11-Aug	EUR	2:30 PM	German ZEW Economic Sentiment (Aug)	71.5	58.0	59.3	Bullish
	INR	5:30 PM	Industrial Production (YoY) (Jun)	-16.60%	-20.00%	-18.30%	Bullish
	USD	6:00 PM	PPI (MoM) (Jul)	0.60%	0.30%	-0.20%	Bullish
12-Aug	GBP	11:30 AM	GDP (QoQ) (Q2)		-20.5%	-2.2%	
	EUR	2:30 PM	Industrial Production (MoM) (Jun)		10.00%	12.40%	
	INR	5:30 PM	CPI (YoY) (Jul)		6.15%	6.09%	
	USD	6:00 PM	Core CPI (MoM) (Jul)		0.2%	0.2%	

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