



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

18 September 2020

From CEO's Desk



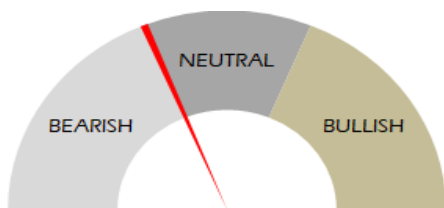
Mr. Abhishek Goenka

The BoE kept rates unchanged but said it was mulling how to implement negative rates effectively. This has brought markets' expectations of negative rates forward. It is very likely the BoE would expand asset purchases and cut rates into negative territory if a deal with EU is not reached. Unprecedented monetary policy support would be needed to support the economy from twin stresses of COVID and no deal Brexit. The BoE also said it would refrain from hiking rates until inflation sustainably reached its 2% target. The Pound weakened post the BoE policy. Yield on UK 6 month bills hit a new record low of -0.04%. However, the Pound recovered later on broad USD weakness. US jobless claims in line with expectations at 860k. Continuing claims also came in better than expected at 12.6mn (exp 13mn) but nevertheless continue to remain elevated. The RBI bought bonds aggressively in the OMO twist with cut off coming in way below market yields (RBI bought bonds at higher prices compared to market). The RBI also announced an outright OMO for 10000crs. The RBI is sending a signal across but market participants are still wary of taking duration ahead of the announcement of H2 borrowing calendar on 30th Sep and RBI monetary policy on 1st Oct. USD/INR continues to trade an extremely tight range. We may continue to see the Rupee in 73-74 range until then. USD/INR is likely to trade 73.25-73.60 range.

Strategy: Exporters are advised to cover confirmed order on upticks or go for risk reversal strategy. Importers are advised to hold. The 3M range for USD/INR is 72.50 – 74.50 and the 6M range is 72.50 – 75.40.

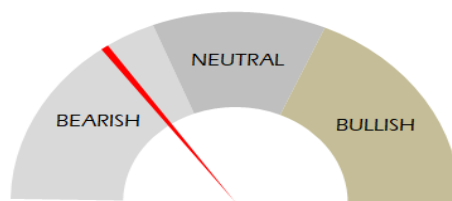
IFA Dollar- Rupee Sentiment Index

Intraday



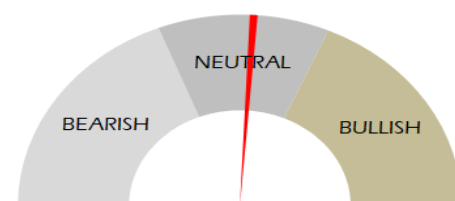
37%

Medium term (Upto 3 Months)



30%

Long term (3 to 6 Months)



51%

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

“ Bank of England steps up talks on negative interest rates amid uncertain outlook

- India's economy heads for double-digit decline as virus spikes
- Bond investors regain appetite for emerging markets
- Govt permits up to 74% FDI under automatic route in defence sector
- RBI announces outright purchase of Rs 10k-cr bonds from secondary mkts
- OECD raises prospects for global economy, scales them down for India

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FX Outlook for the day

● USDINR (RANGE- 73.25 - 73.65)



USD/INR continues to trade an extremely tight range. There are inflows but the RBI has been absorbing them. Until we see the next leg of USD weakness, the RBI may not step aside to let the Rupee readjust. We may continue to see the Rupee in 73-74 range until then. Over the next couple of sessions, we are likely to see inflows to the tune of USD 1bn on account of FTSE index rebalancing.



● EURUSD (RANGE- 1.1810 - 1.1900)



EUR/USD dropped and recorded fresh monthly lows near 1.1740 on the back of the renewed demand for the greenback and particularly after the Federal Reserve did not sound as dovish as initially expected. The pair erased intra-day losses and later rose to session highs at 1.1852 on renewed selling interest in the greenback post US initial jobless claims data which came in at 860k.



● GBPUSD (RANGE- 1.2900 - 1.3000)



The BoE kept rates unchanged but said it was mulling how to implement negative rates effectively. This has brought markets' expectations of negative rates forward. It is very likely the BoE would expand asset purchases and cut rates into negative territory if a deal with EU is not reached. The Pound weakened post the BoE policy but recovered later on broad USD weakness.



● USDJPY (RANGE- 104.40 - 105.20)



The USD/JPY pair retains its bearish stance extending its slump to a fresh one-month low of 104.50. The pair's downside move is on the back of risk-aversion as globally indices spent the day in the red. US Treasury yields failed to provide directional clues, as they traded within well-limited ranges. The pair also reacted to the BOJ interest rate decision as the bank upgraded the recovery pace of the Japanese economy.



IFA Outlook

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Macroeconomic data and Brexit headlines likely to influence the price action today

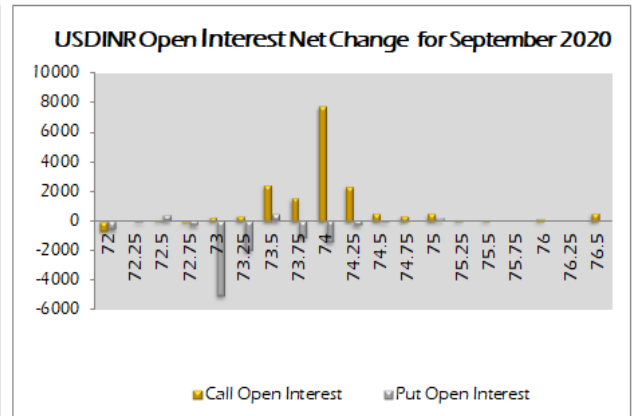
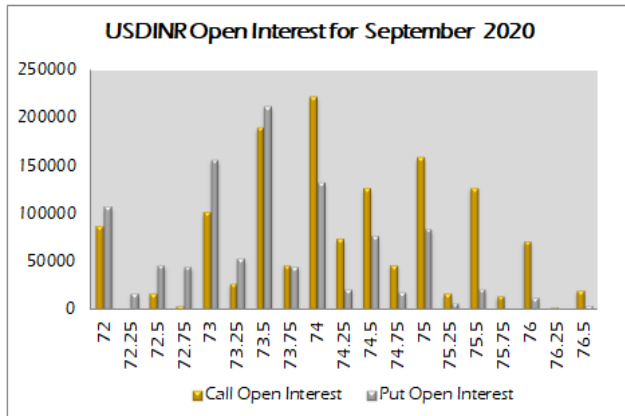
	Q2 FY 2020-21	Q3 FY 2020-21	Q4 FY 2020-21	Q1 FY 2021-22
USDINR	72.50-74.50 ↓	72.50-75.50 ↓	73.00 - 77.00 ↔	73.00-76.00 ↔
\$ INDEX	91.50- 94.50 ↓	92.00- 96.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.1700-1.2100 ↑	1.1800-1.2200 ↑	1.2000-1.2400 ↑	1.2000-1.2400 ↑
GBPUSD	1.2700-1.3200 ↔	1.3000-1.3600 ↑	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 ↑

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Activity Kurtosis

• USDINR Open Interest (September expiry)

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



• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$6.20 billion in the calendar year 2020 ”

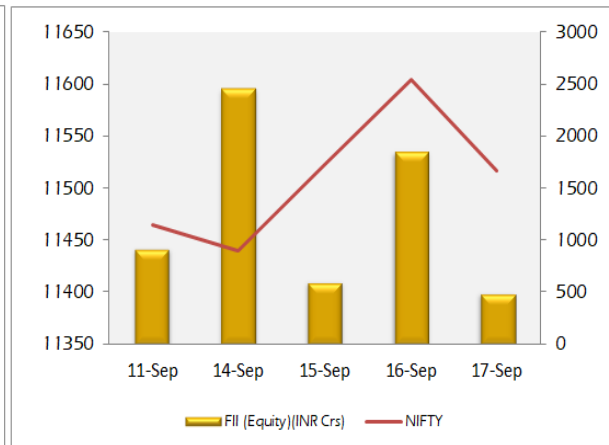
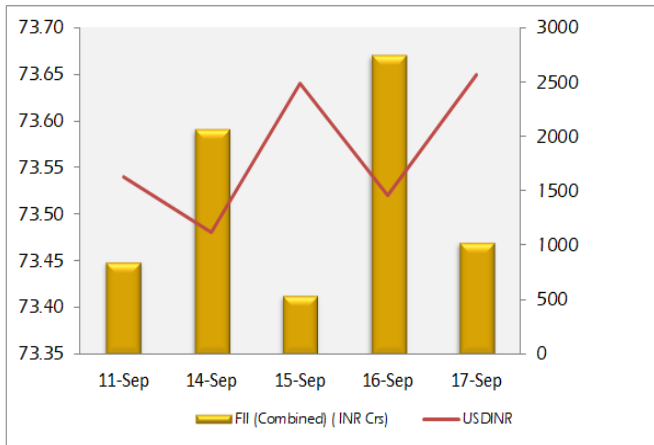


Chart of the Day

USDINR: 73.35

“ USDINR pair gave a gap down opening today 73.46 level. Daily middle bollinger band around 73.70 likely to act as a hurdle for intraday. The short term trading range is 73.00 - 74.00. The intraday view for the pair remains neutral. ”



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.16	0.28	0.38
EUR	-0.58	-0.56	-0.49	-0.43
JPY	0.04	-0.12	-0.04	0.09

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.21	0.69	3.11	6.92
EURINR	0.31	0.99	4.44	9.78
GBPINR	0.29	0.94	4.26	9.44
JPYINR	0.23	0.74	3.39	7.49

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	24417	0.31
	SHANGHAI	3289	0.57
	NIKKEI	23336	0.07
INDIA	SENSEX	39128	0.38
	NIFTY	11576	0.52
	CAC	5039	-0.69
	DAX	13208	-0.36
	FTSE	6050	-0.47
US	DOW	27902	-0.47
	NASDAQ	10910	-1.27

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1959.00	9.00	0.49
SILVER (\$/ounce)	27.30	0.20	0.74
Brent (\$/brl)	43.52	0.22	0.51
Dollar INDEX	92.92	-0.05	-0.06
Bloomberg ADXY	105.85	0.27	0.26

FPI INFLOWS	FY 2020-21	CY 2020	17-Sep-20
EQUITY	86,057	37,532	495
DEBT	-30,598	-93,726	532
HYBRID	8,195	10,557	-12
TOTAL	63,654	-45,637	1,015

Figures are in INR Crores

Pivot Points

“ EURINR is likely to find resistance at R1 level (87.46) ”

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

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
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%	0.10%	Neutral
	USD	6:00 PM	Initial Jobless Claims	860K	850K	884K	Bearish
18-Sep	GBP	11:30 AM	Retail Sales (MoM) (Aug)		0.7%	3.6%	
	EUR	11:30 AM	German PPI (MoM) (Aug)		-0.1%	0.2%	

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