



FX Partner You Can Trust

# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

14 August 2020

## From CEO's Desk



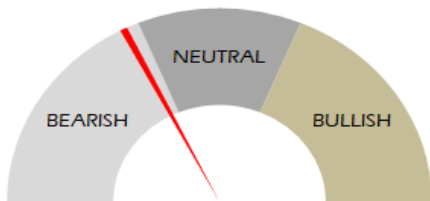
Mr. Abhishek Goenka

US initial weekly jobless claims fell below 1mn for the first time since March 21, coming in at 963k. Continuing claims also came in lower at 15.5mn against expectations of 15.9mn. Recovery in labor markets could reduce the impetus behind getting the second stimulus through and could make a case for making it smaller in size and more targeted instead. US yields rose post the data. US 10y yield climbed back above 0.70 for the first time since June. The US Dollar strengthened against majors. India July CPI came in higher than expected at 6.93% against expectations of 6.25%. We may see some further paying in OIS and selling in bonds as markets would price out expectations of more accommodation from RBI. However, the higher print was primarily on account of higher food prices and with normal monsoons and a good Kharif harvest we may see inflation cool off in H2FY21. The RBI may announce an OMO or a special OMO (Operation Twist) to address nervousness in the bond market. The Rupee continues to trade a very tight range. Nationalized banks continue to absorb inflows. USDINR pair is likely to trade in the range of 74.70-75.00 intraday. Nifty is likely to trade with a positive bias. We may see the next resistance around 11550 levels. US July retail sales data is due today (exp 1.9% MoM)

**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.

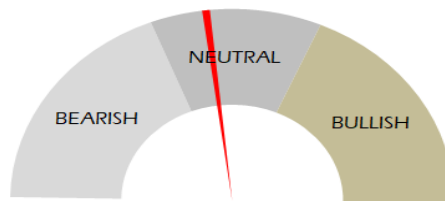
## IFA Dollar- Rupee Sentiment Index

### Intraday



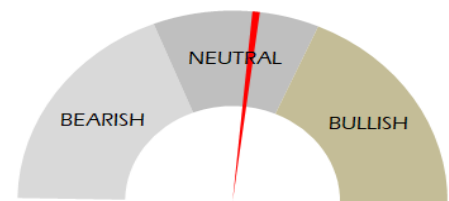
35%

### Medium term (Upto 3 Months)



46%

### Long term (3 to 6 Months)



53%

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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India's 10 year yield inching towards 6% as surge in CPI dims chances of rate cut

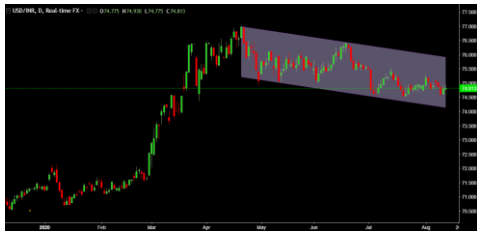
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- China's July retail sales unexpectedly slip, factory output growth steady
- IEA cuts oil-demand forecasts as air travel outlook darkens
- Philippines to begin Russian Covid-19 vaccine trials in October
- PM Modi Details The Contours Of Three Structural Tax Reforms
- US weekly jobless claims fall below one million for first time since March



### FX Outlook for the day

● **USDINR (RANGE- 74.70 - 75.00)**



USDINR pair has traded on sideways note throughout the week in the range of 74.75 - 75.00. Today, also the pair is expected to continue trading in the similar range. Nationalised banks are present on both sides curbing undue swings in the pair. Asian currencies are trading weaker while the dollar is not finding enough bidders to catch up against majors. Ater surge in CPI inflation, focus today will be on WPI data.



● **EURUSD (RANGE- 1.1770 - 1.1860)**



EURUSD pair has struggled in repeated attempts to return to its early August high. Reviving hopes of the US economic recovery extended some initial support to the greenback and dragged the pair to over one-week lows. Meanwhile, US opted not to impose fresh tariffs on EU food and beverages it had threatened, maintaining 15% tariffs on Airbus aircraft and 25% tariffs on food items



● **GBPUSD (RANGE- 1.3010 - 1.3100)**



Brexit talks look set to resume once again next week, with the continued stalemate expected to bring further volatility, despite an optimistic tone from negotiators. The UK chief negotiator David Frost signalled the potential for an agreement by September. NIESR report suggesting the UK economy expected to grow around 15% in the third quarter of 2020 supporting the sterling at weekly lows around 1.3000 mark.



● **USDJPY (RANGE- 106.50 - 107.30)**



The USDJPY pair is trading near its recent highs in the 107.00 zone holding on to gains but unable to run amid reduced upside momentum in the greenback. US treasury bond yield turned north with the 10 year yield rose to its highest level since late June at 0.717% further supporting the pair's rally. Weekly Initial Jobless Claims in the US fell below one million for the first time since March, supporting the risk sentiment.



### IFA Outlook

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

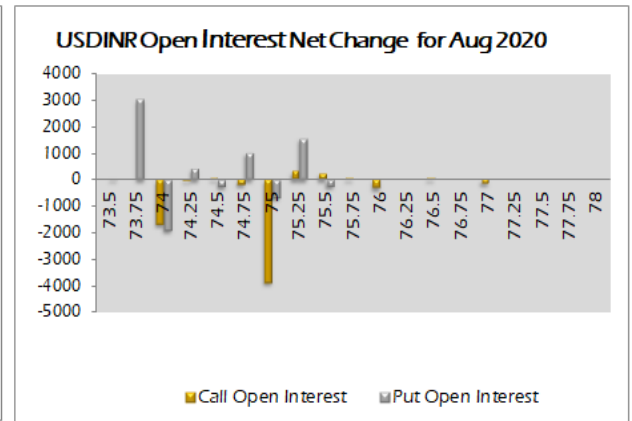
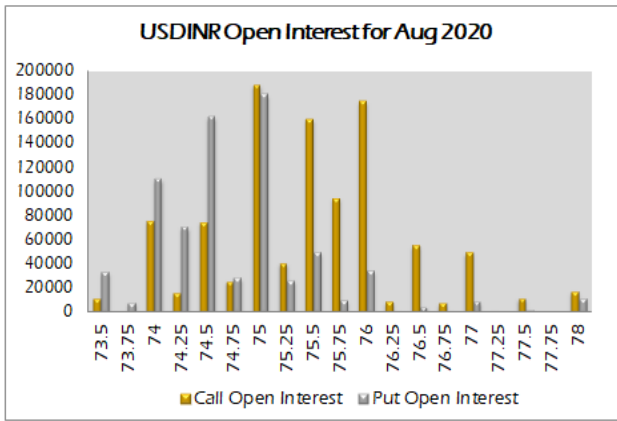
	Q2 FY 2020-21		Q3 FY 2020-21		Q4 FY 2020-21		Q1 FY 2021-22	
USDINR	73.60-76.50	↔	73.00-77.00		73.00 - 77.00	↔	73.00-76.00	↔
\$ INDEX	92.50- 96.50	↓	92.00- 97.00	↔	95.00- 100.00	↓	95.00- 100.00	↓
EURUSD	1.1600-1.2000	↑	1.1800-1.2200	↑	1.2000-1.2400	↑	1.2000-1.2400	↑
GBPUSD	1.2800-1.3200	↑	1.2800-1.3400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

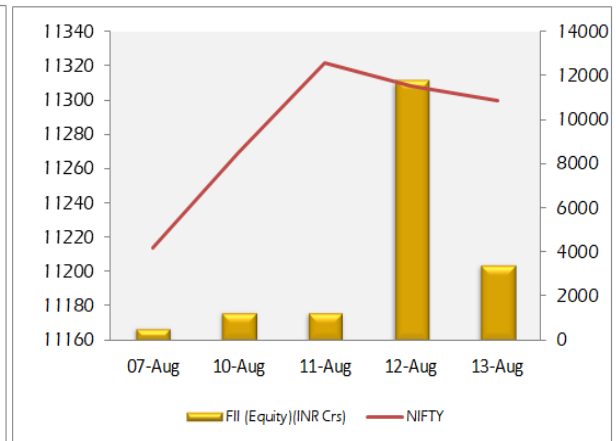
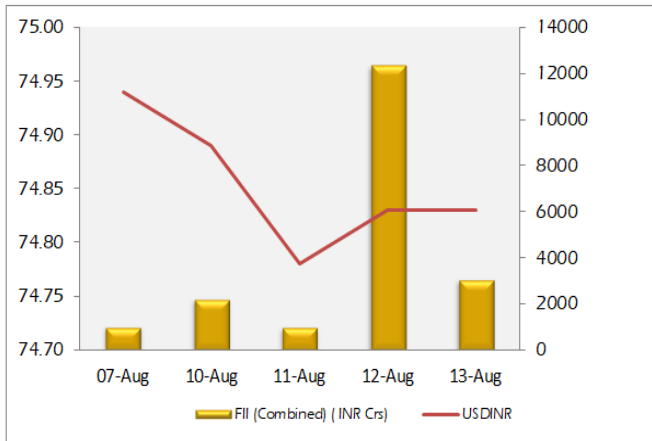
“ Highest OI for Put stands at 75.00 and for Call at 75.00 & 76.00. Highest OI intraday buildup is seen at 73.75 for Put and unwinding at 75.00 for Call



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• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$9.93 billion in the calendar year 2020

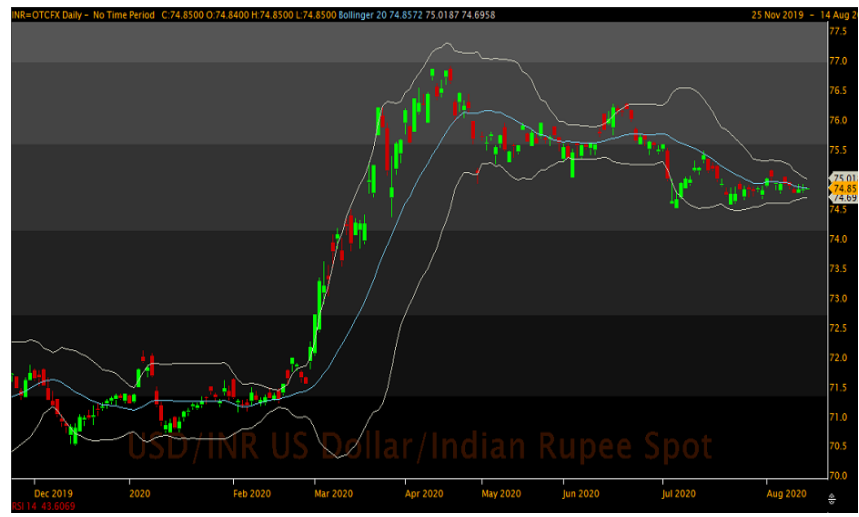


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Chart of the Day

USDINR: 74.85

“ USDINR pair opened on a flat note today at 74.85. Short term technical factors suggest a sell on rise view as Stochastics and EMA 5 -22 crossover indicate bearishness for the pair. 74.50 on the downside is the crucial support. On the flipside, a break above daily supertrend level of 75.35 will negate the view.



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## Major Global Rates

## LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.08	0.16	0.34	0.46
EUR	-0.58	-0.55	-0.47	-0.35
JPY	0.04	-0.08	-0.02	0.11

## Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.21	0.67	2.95	6.36
EURINR	0.31	0.96	4.21	9.02
GBPINR	0.29	0.91	4.01	8.60
JPYINR	0.22	0.70	3.18	6.86

## Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	25191	-0.16
	SHANGHAI	3315	-0.16
	NIKKEI	23255	0.02
INDIA	SENSEX	38478	0.44
	NIFTY	11349	0.43
EUROPE	CAC	5042	-0.61
	DAX	12994	-0.50
	FTSE	6186	-1.50
US	DOW	27897	-0.29
	NASDAQ	11042	0.27

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1957.00	-12.00	-0.64
SILVER (\$/ounce)	27.22	-0.50	-1.80
Brent (\$/brl)	45.03	0.08	0.18
Dollar INDEX	93.26	-0.07	-0.08
Bloomberg ADXY	103.91	-0.03	-0.03

FPI INFLOWS	FY 2020-21	CY 2020	13-Aug-20
EQUITY	59,271	11,242	3,458
DEBT	-30,890	-93,485	-408
HYBRID	5,574	7,925	1
TOTAL	33,955	-74,318	3,051

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	

“ GBPINR is likely to find immediate support at S1 (97.38) ”

## Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
13-Aug	EUR	11:30 AM	German CPI (MoM) (Jul)	<b>-0.5%</b>	-0.5%	-0.5%	<b>Neutral</b>
	INR	5:30 PM	CPI (YoY) (Jul)	<b>6.93%</b>	6.15%	6.09%	<b>Bearish</b>
	USD	6:00 PM	Initial Jobless Claims	<b>963k</b>	1120K	1186K	<b>Bullish</b>
14-Aug	CNY	7:30 AM	Industrial Production (YoY) (Jul)	4.80%	5.1%	4.8%	<b>Bearish</b>
	EUR	2:30 PM	GDP (QoQ) (Q2)		-12.10%	-12.10%	
	INR	12:00 PM	WPI Inflation (YoY) (Jul)		-1.00%	-1.81%	
	USD	6:45 PM	Industrial Production (MoM) (Jul)		3.00%	5.4%	

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