



# FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

14 May 2021



## From CEO's Desk

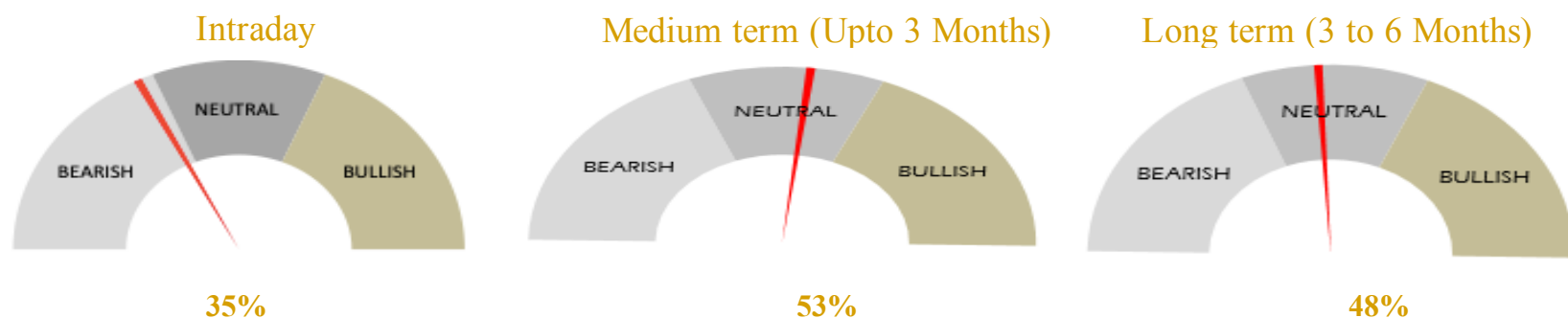


Mr. Abhishek Goenka

### IFA GLOBAL USDINR QUANT SENTIMENT INDEX

US consumer prices rose, 4.2% in April, the most since September 2008. This has reignited the debate as to whether the inflation is transitory or is the Fed behind the curve. US producer prices also rose by more than expected and jobless claims continued to fall. US yields have risen across the curve with 10y yield now close to 1.70%. The Dollar has strengthened across the board but is still getting sold on upticks. If the US employment and inflation data consistently beats estimates we could see the markets muster greater courage to position against the Fed. US real rates still continue to remain deep in negative territory and that should cap upside in the Dollar. It will give clues as to whether the higher inflation is demand driven or purely supply driven. If former is the case it is less likely to be transitory. Strong March IIP data indicates that the economy was recovering well heading into the second wave. April CPI came in higher than expected at 4.29%. Bonds may see some selling on higher US CPI print which has led to higher US yields and also higher than expected MoM rise in domestic inflation. The focus will be on the GSec auction today. The RBI announced that they would be purchasing under the second tranche of GSAP 1.0. The benchmark 10y security does feature in that list and that should give markets comfort in bidding for the benchmark in today's auction. The Rupee had spiked to 73.70 in offshore post the US CPI data. We may see nationalized banks limit downside in USD/INR. Near month forwards had spiked up again on Wednesday. June and July are the most attractive points on the curve for booking export hedges.

**Strategy:** Exporters are advised to cover a part of their near-term exposure on upticks towards 74.00. Importers are advised to cover through forwards on dips towards 73.30. The 3M range for USDINR is 72.50 – 75.50 and the 6M range is 73.00 – 76.50.



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

“ U.S. consumer prices jump most since 2009, outpacing estimates

- U.S. weekly jobless claims at 14-month low; inflation heating up
- UK job ads climb, consumers spend more as COVID restrictions ease
- Morale in Japan's service sector drops fastest in a year over pandemic
- Oil steadies near \$64 as market weighs demand against inflation
- Fed's Bullard: U.S. on verge of moving from recovery to expansion

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## FX Outlook for the day

## ● USDINR (RANGE : 73.30 - 73.70 )



The USDINR pair opened at 73.43 levels. The Rupee eased lower as retail inflation for April weakened to 4.29%. Meanwhile, the IIP surged over 22% YoY in March due to the base effect. Inflation rose at a slower pace than expected in April owing to softer food prices. The pair is expected to trade with a sideways bias on the back of positive risk sentiment, FII flows, and positive domestic & Asian equities.



## ● EURUSD (RANGE: 1.2020 - 1.2130)



The Euro went back and forth during yesterday's trading session as traders continued to see the volatility pick up. The pair finally closed at 1.2077 levels. ECB officials stressed the flexibility of PEPP purchases, the pace of which was increased into the current quarter and now looks set to slow into mid-year as full ratification of the Recovery Fund appears imminent, given the EC summits. The pair is expected to trade in a narrow range.



## ● GBPUSD (RANGE: 1.3990 - 1.4100)



The GBP/USD pair lacked any firm directional bias during yesterday's trading session and seesawed between tepid gains/minor losses through the early European session, consolidating the previous day's US CPI-inspired losses. The pair finally closed at 1.4046 levels. The optimism was reinforced by Wednesday's UK macro releases, which showed that the economy expanded by 2.1% MoM in March as against 1.4% growth anticipated.



## ● USDJPY (RANGE: 109.00 - 110.00)



The US dollar has initially rallied against the Japanese yen but gave up some of the gains as the pair got a little too close to the ¥110 level for comfort. The pair finally closed at 109.51 levels. The surprisingly strong inflation data lifted Treasury yields. The benchmark 10-year Treasury yield jumped to 1.6952%, its biggest rise in a day since March 18, and the two-year Treasury yield also rose to stand at 0.1668%.



## IFA Outlook

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Focus to be on US  
Retail sales and IIP  
data

	Q1 FY 2021-22			Q2 FY 2021-22			Q3 FY 2021-22			Q4 FY 2021-22		
USDINR	72.90 - 75.50	↑		73.50 - 76.50	↔		74.50 - 77.50	↑		74.50 - 77.50	↔	
\$ INDEX	90.00 - 94.50	↑		91.00 - 95.50	↑		92.00 - 96.00	↔		94.00 - 98.00	↑	
EURUSD	1.1600 - 1.2050	↔		1.1450 - 1.2100	↓		1.1750 - 1.2300	↑		1.1650 - 1.2200	↓	
GBPUSD	1.3650 - 1.4200	↑		1.3800 - 1.4400	↑		1.3800 - 1.4500	↑		1.4000 - 1.4800	↑	
USDJPY	106.00 - 111.00	↔		107.00 - 113.00	↑		105.00 - 110.00	↓		107.00 - 112.00	↔	
AUDUSD	0.7400 - 0.8000	↔		0.7500 - 0.8100	↑		0.7400 - 0.8000	↔		0.7200 - 0.7800	↓	
GOLD	\$1650 - \$2100	↑		\$1700 - \$2200	↑		\$1700 - \$2150	↔		\$1600 - \$2000	↓	

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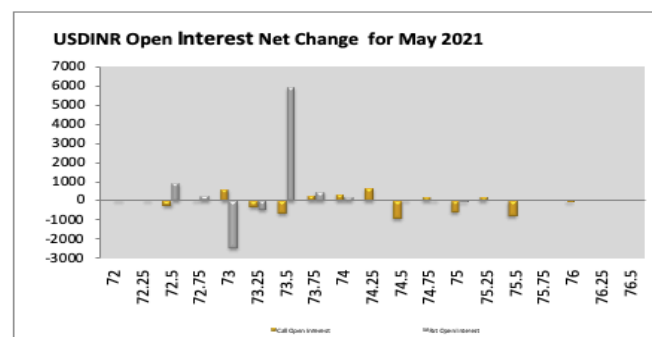
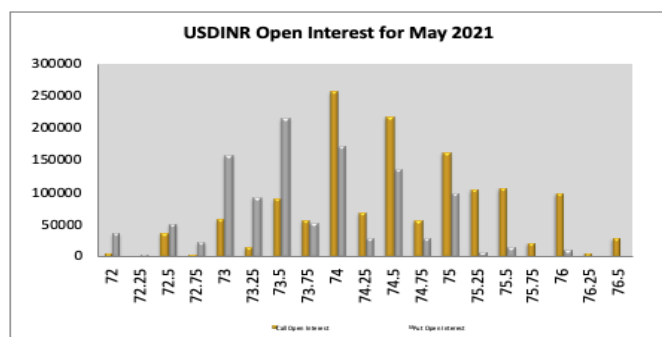
## Activity Kurtosis

## ● USDINR Open Interest (May expiry )

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Highest OI for Call is seen at 74.00 and put is seen 73.50. Call unwinding is seen at 74.50 and Put buildup is seen at 73.50.

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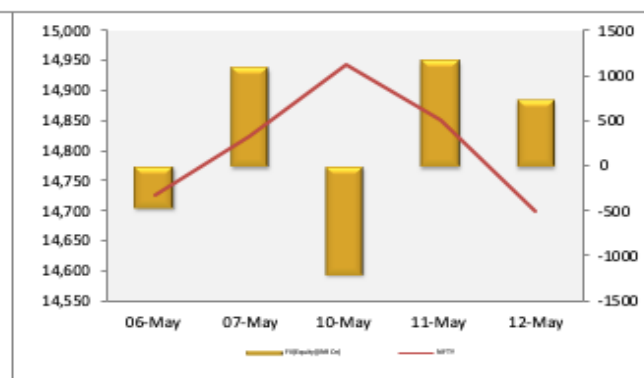
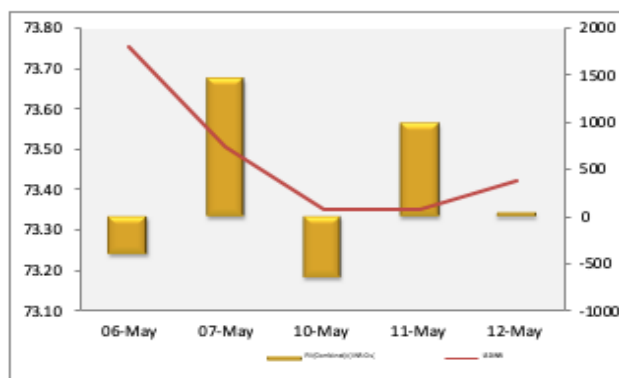


## ● FII activity against USDINR and Nifty

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FII's have so far infused \$5.81 billion in the Calendar year 2021

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## Chart of the Day

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The USDINR pair made a flat opening at 73.43 today. Immediate resistance to be around 74.24 levels. On the flipside, the immediate support will be at the levels of 73.09. Major technical indicators suggest neutral to bearish bias for the day.

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USDINR: 73.43



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.06	0.10	0.19	0.26
EUR	-0.58	-0.57	-0.53	-0.49
JPY	0.04	-0.08	-0.04	0.06

Rolling Forward Premiums (in paise)

MONTH	1M	3M	1Y	2Y
USDINR	0.37	1.06	3.86	7.48
EURINR	0.49	1.44	5.38	10.66
GBPINR	0.52	1.50	5.49	10.54
JPYINR	0.35	1.02	3.81	7.61

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	27997.36	1.01
	SHANGHAI	3471.17	1.21
	NIKKEI	27940.90	1.80
INDIA	SENSEX	48815.16	0.26
	NIFTY	14749.40	0.36
	CAC	6288.33	0.14
US	DAX	15199.68	0.33
	FTSE	6963.33	-0.59
	DOW	34021.45	1.29
	NASDAQ	13124.99	0.72

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1822.45	-2.64	-0.14
SILVER (\$/ounce)	26.92	-0.12	-0.45
WTI Crude (\$/bbl)	63.52	-0.30	-0.47
Dollar INDEX	90.71	-0.05	-0.06
Bloomberg ADXY	108.78	0.01	0.01

FPI INFLOWS	FY 2021-22	CY 2021	12-May-21
EQUITY	-14,912	40,830	715
DEBT	296	169	-683
HYBRID	1,618	1,670	1,296
TOTAL	-12,998	42,669	1,328

Figures are in INR Crores

Pivot Points

“  EURINR pair is likely to take immediate support at 88.30 (S2)  ”	Pivot	S2	S1	P	R1	R2
	USDINR	72.96	73.23	73.78	74.05	74.60
	EURINR	88.30	88.83	89.12	89.65	89.94
	GBPINR	101.78	102.32	102.66	103.20	103.54
	JPYINR	66.96	67.30	67.58	67.92	68.20

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
12-May	GBP	11:30 AM	GDP (YoY) (Q1)	-6.10%	-6.1%	-7.3%	Neutral
	EUR	11:30 AM	German CPI (YoY) (Apr)	2.00%	2.0%	1.7%	Neutral
	INR	5:30 PM	CPI (YoY) (Apr)	4.29%	4.20%	5.52%	Bullish
	USD	6:00 PM	CPI (YoY) (Apr)	4.2%	3.6%	2.6%	Bullish
14-May	INR	12:00 PM	WPI Inflation (YoY) (Apr)		8.95%	7.39%	
	USD	6:00 PM	Retail Sales (MoM) (Apr)		1.0%	9.7%	
	USD	6:45 PM	Industrial Production (YoY) (Apr)			1.02%	

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