



FX Partner You Can Trust

FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY HIGHLIGHTS

28 May 2020



Markets Recap

USDINR pair opened higher today at 75.90 tracking weakness in Asian currencies. Offshore Yuan fell to a 9 month low, weighing on other Asian counterparts. Later, the USDINR pair erased almost all its intraday gains on likely foreign fund inflow and closed at 75.75 level, 3 paise higher from the previous close of 75.72. The inflows are mostly linked to Kotak Mahindra Bank's QIP, Bharti Airtel Equity raising & Vedanta Capital raising for delisting. Implied Vols as well as Onshore-offshore spread have come down easing pressure on the Rupee to some extent. The benchmark new 10 year bond yield is almost around 5.75% from last couple of sessions while the equities extended bullish momentum, gaining 1.88% for the day.

Washington and Beijing have been at loggerheads over the new security law passed by Beijing on Hong Kong. Market Participants remain jittery over rising tension between the US and China and its impact on global economy that is already hit by the COVID-19 and lockdown.

German Chancellor Merkel warned that the fiscal initiative from the EU might not be agreed upon next month. Euro in a knee jerk reaction fell below 1.1000 mark, but soon recouped its losses and is back to psychological mark.

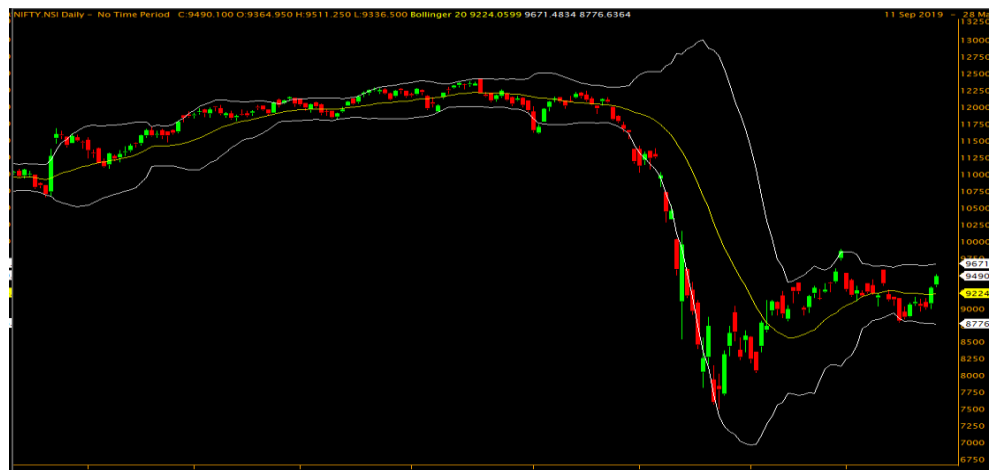
Technical corner

USDINR CHART (Daily Chart)



From last two weeks, USDINR pair has been trading in the narrow range of 75.50 - 76.00. Technical factors suggest bullish momentum to continue for the near term. The pair remains well supported around 75.00 mark.

Equity market



Forward Premia

● Dollar Rupee Month End Forward Premium

USDINR Month end Premium													
Description	CASH/SPOT	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Premiums in paise	2	20.25	43.25	66.25	89.25	113.25	137	164.25	187.5	209.75	236.25	266.25	288.5
Outright Rate	75.73	75.95	76.18	76.41	76.64	76.88	77.12	77.39	77.62	77.84	78.11	78.41	78.63
Annualized Premium %	2.41	3.36	3.47	3.51	3.56	3.61	3.62	3.72	3.73	3.74	3.76	3.85	3.82

Market At Glance

● Market Activity

Key rates	Closing
USDINR closing rate	75.75
USDINR future (June)	75.99
US 10y bond yield	0.68%
India 10y bond yield	5.75%
Nifty	9490 (+175)
1 Year Libor	0.68%
Highest OI for Call	76.00 strike (June)
Highest OI for Put	75.00 strike (June)

● Institutional Activity

CY 2020	INR crores			
	Equity	Debt	Hybrid	Total
Jan	12123	-11119	-46	958
Feb	1820	4734	2416	8970
March	-61973	-56211	-19	-118203
April	-6884	-8519	544	-14859
May	12572	-21645	11	-9062
Total	-42342	-92760	2906	-132196

* updated as on 28-May-2020

● Commodity Activity

	Last	% Change
Gold (\$/ounce)	1722	0.65
Silver (\$/ounce)	17.85	0.62
Brent Crude (\$/brl)	35.41	2.66
Dollar Index	98.84	-0.23

● Rupee Counterpair data

	Open	High	Low	Close
USDINR	75.90	75.90	75.71	75.75
EURINR	83.18	83.56	83.18	83.52
GBPINR	92.71	93.08	92.68	93.08
CHFIR	78.17	78.35	77.94	78.16
JPYINR	70.31	70.41	70.18	70.30

The Evening Sunshine

U.S. economy shrank at 5% annual rate in the first quarter

The Preliminary US Q1 GDP shows a contraction of 5% as compared to 4.8% estimates earlier and the weekly jobless claims came in at 2.123 million as against expectation of 2.1 million. Durable goods orders tumbled lesser than the expectation. The negative growth reports, were negated by a smaller-than-anticipated fall in durable goods orders data and hence had little to no impact on the Dollar index (DXY). DXY is currently hovering around 99 levels. US stock futures point to a positive open.

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