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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY HIGHLIGHTS

18 March 2020



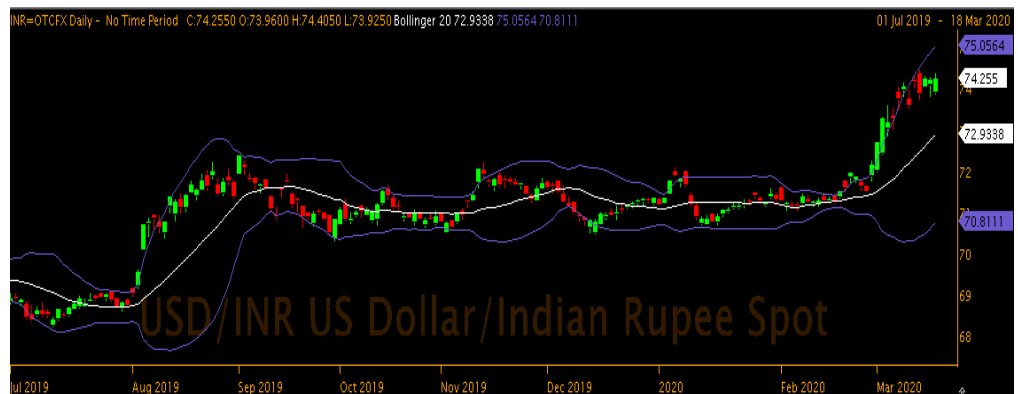
Markets Recap

The rupee fell against the US dollar earlier in the day making a low of 74.41, but closed on a flat note compared to yesterday's close as the global risk aversion pared the opening gains. Coronavirus pandemic prompted foreign banks to buy dollars, likely for foreign portfolio investors who may have pulled out funds from the Indian financial markets. Asian Development Bank has announced an initial package of \$6.5 bln to address the "immediate needs" of its developing member countries arising from the coronavirus pandemic. The total number of Covid-19 cases in India has risen to 152. The rating agency S&P also slashed its 2020 growth forecast for India by 50 basis points to 5.2%. RBI announced Open Market Operation (OMO) purchases of Government of India dated securities. The RBI will buy up to Rs 10,000 crore of 4 Gilts via OMO purchases on March 20. The sell-off continued on the third straight session in domestic indices closing with 5.50% cut tracking global cues, while the Benchmark bond yields ended 3 bps higher at 6.30%. The GBPUSD pair has been extending its downfall and has dropped below 1.19 mark, falling to levels last seen in October 2016, as severe recession fears weighed on the pair.

Technical corner

“
73.80 – 73.85 is acting as strong support from the last few trading sessions, while the upside remains capped at 74.50. Either side breakout of 73.80 – 74.50 range to guide further direction.
”

USDINR CHART (Daily Chart)



News of the day

“
Domestic indices continue to witness selling pressure amid panic selling and recession fears
”

The relentless selling on D-Street continued with no signs of abating as stocks across-the-board, especially the financial sector, fell like a pack of cards. The threat of economic fallout emanating from pandemic Covid-19 continued to weigh on investor sentiment. Also, rising infections in India and associated disruption in businesses led to India's GDP growth forecasts also being downgraded. At close, the Sensex was down 1709 points at 28869, while Nifty was down 425 points at 8541.

Forward Premia

● Dollar Rupee Month End Forward Premium

USDINR Month end Premium													
Description	CASH/SPOT	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Premiums in paise	1.95	10	42.5	66.5	92.5	118.5	143.5	168	191	213.5	240	263.5	286
Outright Rate	74.24	74.36	74.68	74.92	75.18	75.44	75.69	75.94	76.17	76.39	76.66	76.89	77.12
Annualized Premium %	4.67	4.47	5.16	4.67	4.46	4.38	4.30	4.24	4.19	4.12	4.12	4.11	4.10

Market At Glance

● Market Activity

Key rates	Closing
USDINR closing rate	74.26
USDINR future (Mar)	74.42
US 10y bond yield	1.12%
India 10y bond yield	6.30%
Nifty	8469 (-498)
1 Year Libor	0.82%
Highest OI for Call	74.00 strike (Mar)
Highest OI for Put	74.00 strike (Mar)

● Institutional Activity

FY 2019 - 20	INR crores			
	Equity	Debt	Hybrid	Total
April	21193	-5099	634	16728
May	7920	1187	2264	11371
June	2596	8319	2196	13111
July	-12419	9433	-17	-3003
Aug	-17592	11672	49	-5871
Sep	7548	-990	25	6583
Oct	12368	3670	31	16069
Nov	25231	-2358	126	22999
Dec	7338	-4617	39	2760
Jan	12123	-11119	-46	958
Feb	1820	4734	2416	8970
March	-39880	-39315	24	-79171
Total	28246	-24483	7741	11504

* updated as on 18-March-2020

● Commodity Activity

	LAST	%CHANGE
GOLD (\$/ounce)	1503.19	-2.32
SILVER (\$/ounce)	12.42	-2.73
WTI CRUDE (\$/bbl)	25.32	-6.05
DOLLAR INDEX	99.96	0.38

The Evening Sunshine

● Rupee Counterpair data

	Open	High	Low	Close
USDINR	73.96	74.41	73.94	74.26
EURINR	81.74	81.92	81.46	81.56
GBPINR	89.88	90.06	88.18	88.17
CHFINR	77.23	77.66	77.10	77.29
JPYINR	69.03	69.51	68.85	69.13

“ Looming recession sparks new oil Sell-Off;
Brent Crude oil down by 3.50%

US stock futures and several Asian shares extended downtrend, as worries about the coronavirus pandemic dash hopes of broad monetary support to combat the economic fallout of the outbreak. Crude oil prices fell for a third session to be down about 17 % so far this week as the outlook for fuel demand darkened amid a travel and social lockdowns triggered by the coronavirus epidemic. WTI Oil falls below \$26, lowest since “ 2003, amid the coronavirus crisis, price war.

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