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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY INSIGHT

26 March 2020



We witnessed an emphatic recovery in global equities in the past couple of days. The US parliament approved a USD 2tn stimulus package which would put money directly into the hands of citizens. The Dow has recovered 15% from recent lows and the US Dollar has weakened across the board. The Nifty opened on a cautious note, reacting to the announcement of a 21 day nationwide lockdown but caught up with global indices, ending 6% higher yesterday. India would need to follow the US template to ensure that the economy tides over this period. The government needs to announce further stimulus measures to keep MSMEs alive and the RBI needs to ensure that the banking system remains flush with liquidity. The Philippine central bank has cut Reserve requirement for banks, the Reserve Bank of Australia has purchased state government bonds. US jobless claims are due today. They are expected to surge sharply to 1 million from 281k last week. President Trump wants to reopen the US economy by 12th April which many experts believe would not be a great idea. There are dislocations between the OTC and futures markets that one can look to capitalize on. April futures were 30p above onshore on Tuesday.

Strategy: Exporters are advised to hold. Importers are advised to go for back to back hedging or through RR option strategy (Buy Call, Sell Put). The 3M range for USDINR is 73.00 - 77.00 and the 6M range is 72.0 - 78.00 considering the panic situation amid coronavirus spread.

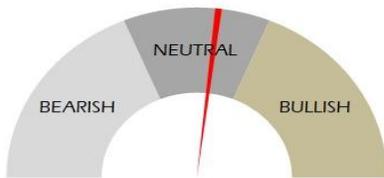
From CEO's Desk



Mr. Abhishek Goenka

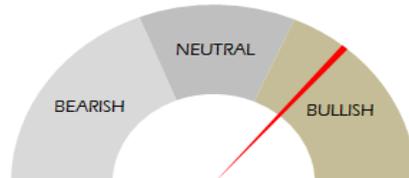
IFA Dollar- Rupee Sentiment Index

Intraday



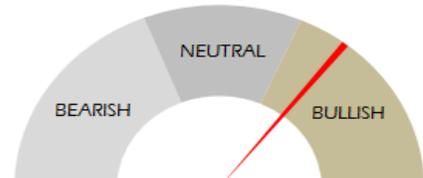
53%

Medium term (Upto 3 Months)



76%

Long term (3 to 6 Months)



75%

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

“ Stocks rise, USD weakened after US Congress approves stimulus package

”

- Senate passes \$2 trillion virus rescue plan; sends bill to House
- ECB's Lagarde asked euro zone ministers to consider one-off 'coronabonds' issue
- India-focused offshore funds see \$ 1.2-billion outflows in February
- IMF, World Bank call for suspension of debt payments by poorest nations
- PSU banks announce special credit facility for MSMEs

FX Outlook for the day

● USDINR (RANGE- 75.00- 76.00)



USDINR pair is drifting lower today as announcement of US \$2 trillion stimulus package improved the global risk sentiment. Also on the domestic front, PM announced Rs 15000 crore package to support the economy. Current downside move in the USDINR pair can be attributed to RBI intervention. The domestic indices are trading with 4% gains tracking global cues.



● EURUSD (RANGE- 1.0860 - 1.0970)



The Euro is extending its gains against the greenback as US Congressional leaders agree on a \$2 trillion stimulus package to prop up the US economy amid the coronavirus fallout. Demand for US dollar eased and the risk sentiment soared after the deal was struck. Market participants brace for the US jobless claims with talk it could exceed 1 million, which could influence the price action of the pair.



● GBPUSD (RANGE- 1.1800 -1.1950)



The Bank of England (BoE) will be meeting later today to decide on whether or not to adjust interest rates putting Cable in the spotlight. The BoE cut interest rates to a record low of 0.1% last week; the second rate cut this month. This move has put the GBPUSD under a situation of intense volatility in the recent times. UK Services PMI slumped to a record-low of 35.7 in March from 53.2 in Feb.



● USDJPY (RANGE- 109.80 - 111.20)



The USDJPY pair is struggling to find direction as market's optimism surrounding the US stimulus package to combat the coronavirus (COVID-19) lowers the safe haven demand. On the flipside, broad US dollar weakness is capping the upside gains. Focus will now turn to final reading of Q4 GDP data.



IFA Outlook

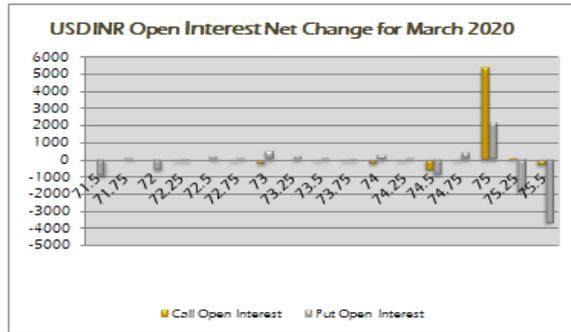
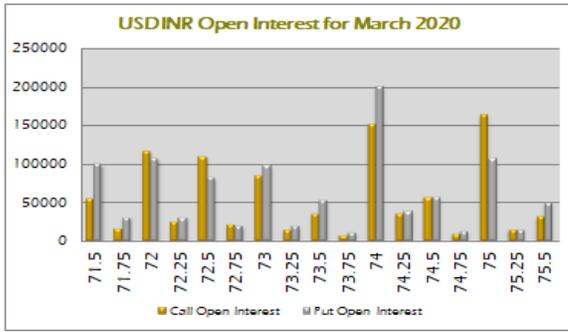
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Headlines on Covid-19 are likely to influence the price action this week
”

	Q4 FY 2019-20	Q1 FY 2020-21	Q2 FY 2020-21	Q3 FY 2020-21
USDINR	73.00-77.00 ↑	72.00-78.00 ↑	72.50 - 77.00 ↑	70.50-76.00 ↑
\$ INDEX	100.00- 103.00 ↑	97.00- 100.00 ↔	95.00- 100.00 ↓	95.00- 100.00 ↓
EURUSD	1.0400-1.1100 ↓	1.0800-1.1300 ↔	1.1000-1.1650 ↑	1.1200-1.1800 ↑
GBPUSD	1.1300-1.2000 ↓	1.1600-1.2600 ↓	1.2800-1.3800 ↔	1.2800-1.3800 ↔
USDJPY	107.50-112.00 ↑	106.00-111.00 ↓	105.00-110.00 ↔	102.00-108.00 ↔
AUDUSD	0.5500-0.6000 ↓	0.6500- 0.7000 ↔	0.6450- 0.7100 ↔	0.6800- 0.7500 ↔
GOLD	\$1500- \$1700 ↑	\$1500- \$1750 ↑	\$1450- \$1800 ↑	\$1450- \$1800 ↑

Activity Kurtosis

• USDINR Open Interest (March Expiry)

“ Highest OI for Put stands at 74.00 and for Call at 75.00 strike price. Highest OI buildup is seen at 75.00 Call and unwinding at 75.50 Put ”



• FII activity against USDINR and Nifty

“ FIIs have so far withdrawn \$ 12.74 billion in the calendar year 2020 ”

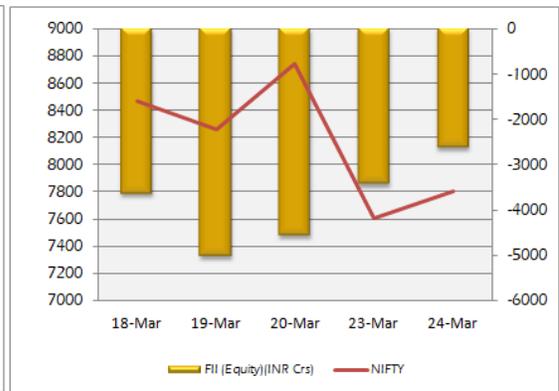
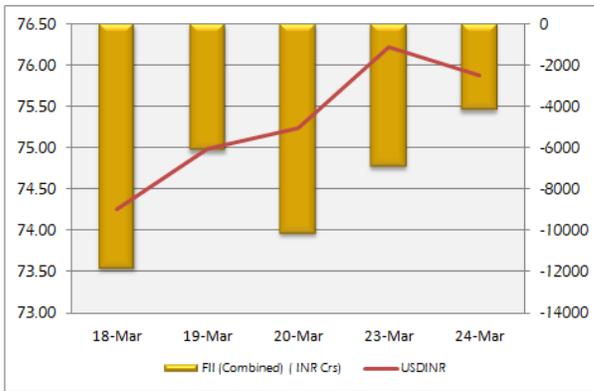


Chart of the Day

“ After opening flat today at 75.86, USDINR pair is seen trading sharply lower today 75.40. 76.31 (fresh all time high) to act as strong resistance for the time being. ”

USDINR Spot 75.30



Major Global Rates

LIBOR Rates

LIBOR	ON	1M	6M	1Y
USD	0.20	0.95	1.06	0.99
EUR	-0.56	-0.44	-0.25	-0.91
JPY	0.03	-0.15	-0.05	0.06

Rolling Forward Premiums

MONTH	1M	3M	1Y	2Y
USDINR	0.52	1.08	3.42	6.92
EURINR	0.68	1.46	4.70	9.15
GBPINR	0.69	1.41	4.28	8.10
JPYINR	0.58	1.27	4.02	7.97

Quick Glance

REGION	GLOBAL INDICES	LAST	% CHANGE
ASIA	HANG SENG	23523.00	0.31
	SHANGHAI	2776.00	-0.18
	NIKKEI	18954.00	-3.10
INDIA	SENSEX	28879.00	1.21
	NIFTY	8384.00	0.80
EUROPE	CAC	4409.00	4.22
	DAX	9704.00	-0.82
	FTSE	5530.00	-1.16
US	DOW	21024.00	0.07
	NASDAQ	7456.00	-0.13

COMMODITIES/DI	LAST	CHANGE	% CHANGE
GOLD (\$/ounce)	1631.00	-2.80	-0.16
SILVER (\$/ounce)	14.63	-0.24	-1.60
WTI CRUDE (\$/bbl)	24.20	-0.29	-1.18
Dollar INDEX	100.75	-0.30	-0.30
Bloomberg ADXY	100.88	-0.13	-0.13

FPI INFLOWS	FY 2019-20	CY 2020	24-Mar-20
EQUITY	12,525	-41,657	-2,640
DEBT	-36,158	-57,376	-1,548
HYBRID	7,708	2,361	1
TOTAL	-15,925	-96,672	-4,187

Figures are in INR Crores

Pivot Points

“ EURINR pair is likely to find resistance at 81.60 (S1) ”

Pivot	S2	S1	P	R1	R2
USDINR	74.80	75.08	75.40	75.81	76.02
EURINR	80.98	81.60	81.91	82.53	82.84
GBPINR	88.30	88.62	88.80	89.25	89.80
JPYINR	67.80	68.05	68.25	68.50	68.88

Macro Monitor

	Currency	Time (IST)	Major Global Events	Actual	Forecast	Previous	Impact
24-Mar	EUR	2:00 PM	German Manufacturing PMI (Mar)	45.7	39.6	48.0	BULLISH
	EUR	2:00 PM	German Services PMI (Mar)	34.5	42.3	52.5	BEARISH
	GBP	3:00 PM	Composite PMI	37.1	45.1	53.0	BEARISH
	USD	7:30 PM	New Home Sales (Feb)	765K	750K	800K	BULLISH
26-Mar	GBP	12:30 PM	Retail Sales (MoM) (Feb)		0.2%	0.9%	
	GBP	5:30 PM	BoE Interest Rate Decision (Mar)		0.25%	0.10%	
	USD	6:00 PM	GDP (QoQ) (Q4)		2.1%	2.1%	

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