



FX DAILY DOSSIER

February 25, 2020

KEY MARKET THEME

- Rupee hit six weeks low amid fear of capital flight.
- US equities recorded the biggest fall since trade tension started.
- Exporters selling may help rupee to find some support around 72.20.

| FX Majors | CMP | 1W | 1M |
|-----------|--------|--------|--------|
| EURUSD | 1.0865 | 0.65% | -1.43% |
| GBPUSD | 1.2939 | -0.45% | -0.68% |
| USDJPY | 110.87 | 0.91% | 1.59% |

| FX Cross INR | CMP | 1W | 1M |
|--------------|-------|--------|--------|
| USDINR | 71.86 | 0.39% | 0.91% |
| EURINR | 78.09 | 1.07% | -0.52% |
| GBPINR | 93.01 | -0.03% | 0.24% |
| JPYINR | 64.83 | -0.50% | -0.64% |

| Global Yields | 10Y-Yield | 1W(bps) | 1M(bps) |
|---------------|-----------|---------|---------|
| India | 6.36% | -5.70 | -24.10 |
| US | 1.40% | -18.77 | -28.69 |
| Germany | -0.48% | -8.02 | -14.56 |
| UK | 0.52% | -12.81 | -6.27 |

| Flows | DTD | WTD | MTD |
|-----------------|---------|-----------|----------|
| FII's (INR Crs) | -304.76 | -1,160.90 | -2476.53 |

Note: 1W refers to 1 week change from CMP | 1M refers to 1 month change from CMP

MACRO ANALYSIS

Indian Rupee fell six weeks low amid risk of capital flight after the ongoing epidemic took its toll outside China which dashed hopes that the outbreak had been contained and raised fears of slowing global growth.

Following steep declines in Asia and Europe, the benchmark S&P 500 plunged 3.4 per cent, erasing its gains for the year in its biggest fall since trade tensions rattled markets in February 2018. The FTSE All-World index lost 3 per cent.

Investors flocked to the safety of government debt, pushing the yield on the US 10-year Treasury bond down 10.2 basis points to 1.369 per cent, just above its record low, as expectations grew that the Federal Reserve would be pushed to cut interest rates by April.

The market turmoil came after new evidence that the virus was spreading globally. Italy imposed quarantine across at least 10 towns over the weekend in an effort to contain the biggest outbreak of the virus outside Asia, with 229 confirmed infections and six deaths.

Iran said there had been 12 deaths and 61 confirmed corona virus cases in the country, a sharp rise from the eight fatalities and 43 infected patients it reported a day earlier. Turkey closed its borders with Iran, while Iraq, Afghanistan, Armenia and Pakistan have imposed restrictions on border crossings and trade.

On a conclusion note, we are arguing that perhaps rate of death may have slowed in China since couples of days but having said that it's a delaying tactic as most of the infected people are isolated and what will happen when they resume work. Apparently everything thing is at stake except rising volatility.

ECONOMIC DATA

| | IST | Previous | Median | SMC's Forecast |
|----------------------------|-------|----------|--------|----------------|
| USD CB Consumer Confidence | 20:30 | 131.6 | 132.6 | 132.6 |

PIVOT LEVELS

| Currency | Day's Trend | Pivot | S1 | S2 | S3 | R1 | R2 | R3 |
|---------------|-------------|-------|-------|-------|-------|-------|-------|-------|
| USD/INR (FEB) | SIDEWAYS | 71.94 | 71.85 | 71.70 | 71.60 | 72.09 | 72.19 | 72.34 |
| EUR/INR (FEB) | SIDEWAYS | 77.87 | 77.74 | 77.56 | 77.44 | 78.05 | 78.17 | 78.35 |
| JPY/INR (FEB) | POSITIVE | 64.51 | 64.27 | 63.82 | 63.58 | 64.95 | 65.19 | 65.64 |
| GBP/INR (FEB) | SIDEWAYS | 92.74 | 92.37 | 91.87 | 91.50 | 93.24 | 93.61 | 94.10 |

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