



# FX DAILY DOSSIER

March 18, 2020

## KEY MARKET THEME

- Euro and Pound fell the lowest in this month amid Dollar demand to drive the businesses.
- Sentiment in financial markets lifted up on a modest basis after developed world unveiled fiscal stimulus announcement.
- Cheers fades in early Asia as market weigh stimulus hope in the wake of economic fallout.

FX Majors	CMP	1W	1M
EURUSD	1.1020	-2.23%	1.98%
GBPUSD	1.2121	-5.46%	-6.18%
USDJPY	107.27	2.65%	-3.68%

FX Cross INR	CMP	1W	1M
USDINR	73.97	0.38%	3.30%
EURINR	81.52	-1.92%	5.32%
GBPINR	89.67	-5.37%	-3.09%
JPYINR	68.97	-2.19%	7.27%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.25%	7.90	-16.30
US	1.01%	23.74	-58.39
Germany	-43.20%	27.96	-3.39
UK	0.55%	31.69	-9.59

Flows	DTD	WTD	MTD
FIIIs (INR Crs)	-4044.69	-17,357.49	-38188.92

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

## MACRO ANALYSIS

The dollar has pushed higher against its peers this month, despite two emergency cuts from the US central bank that have brought interest rates down to zero. Ordinarily, rate reductions of this magnitude would weaken a currency. Companies and banks are hoarding dollars to pay their debts and keeps business flowing during the corona virus pandemic, helping to send the currency higher. A collapse in revenues, seized-up debt markets and broader fears over the economic impact of Covid-19 have all encouraged companies to max out their credit lines to keep large amounts of cash at hand.

Overnight global equities lifted higher after US Treasury secretary Steven Mnuchin, unfolds broader stimulus package proposed to Congress totaling as much as \$1.2tn. Europe's largest economies announced more concrete plans, with Britain unveiling a £330bn package of emergency loan guarantees to business and £20bn of fiscal support. Rishi Sunak, the UK chancellor, said: This is not a time for ideology or orthodoxy; this is a time to be bold. I'll do whatever it takes. Pedro Sanchez, Spain's prime minister, also triggered the "biggest mobilization of resources in Spain's democratic history" to fight the economic crisis, which included €100bn of state loan guarantees.

We don't think such large stimulus won't help much to prevent the economic fallout on an immediate basis. The outright turmoil in financial markets caused by the global spread of COVID-19 shows little sign of abating, despite policymakers' efforts to contain the fallout. We will maintain our bullish view in USD/INR till any major breakthrough surface.

## ECONOMIC DATA

	IST	Previous	Median	SMC's Forecast
USD Building Permits	18:00	1.55M	1.50M	1.50M

## PIVOT LEVELS

Currency	Day's Trend	Pivot	S1	S2	S3	R1	R2	R3
USD/INR (MAR)	POSITIVE	74.31	74.13	73.84	73.66	74.61	74.79	75.08
EUR/INR (MAR)	SIDEWAYS	82.44	81.72	81.32	80.60	82.84	83.56	83.96
JPY/INR (MAR)	POSITIVE	69.77	69.13	68.66	68.03	70.24	70.87	71.35
GBP/INR (MAR)	SIDEWAYS	90.66	89.76	89.26	88.36	91.16	92.06	92.55

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