



FX DAILY DOSSIER

September 17, 2020

KEY MARKET THEME

- Sterling fell sharply after UK rate setters are planning to deploy negative rates.
- Policymakers warned if the economy fail to resist the fallout, negative rates are likely to hit in coming quarters.
- Later Sterling revived after EU President stated about possibility of EU-UK deal.

FX Majors	CMP	1W	1M
EURUSD	1.1847	-0.01%	0.43%
GBPUSD	1.2958	1.27%	-1.00%
USDJPY	104.79	-1.29%	-0.96%

FX Cross INR	CMP	1W	1M
USDINR	73.44	-0.05%	-1.98%
EURINR	87.00	-0.07%	-1.56%
GBPINR	95.15	1.20%	-2.97%
JPYINR	70.08	1.26%	-1.03%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.04%	10.00	8.70
US	0.69%	-3.58	-2.39
Germany	-0.49%	-2.32	-7.12
UK	0.19%	-7.65	-5.67

Flows	DTD	WTD	MTD
FII's (INR Crs)	-249.82	1,475.59	1,071.19

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

MACRO ANALYSIS

The biggest attraction in Forex space encountered yesterday when Sterling weakened sharply after the Bank of England surprised investors by noting it is examining how negative interest rates might be implemented. The currency dropped 0.6 per cent against the dollar to trade as low as \$1.2882 and it lost a similar amount against the euro to trade at €1.0928.

Interestingly meeting minutes revealed that BoE officials had been briefed on the central bank's plans "to explore how a negative Bank Rate could be implemented effectively, should the outlook for inflation and output warrant it at some point". The prospect of negative rates has typically met a cool response among policymakers who are mindful of the negative side-effects of the move in other parts of the world. But the latest statement offered a reminder that more quantitative easing, or bond buying, is not the only move left open to the BoE.

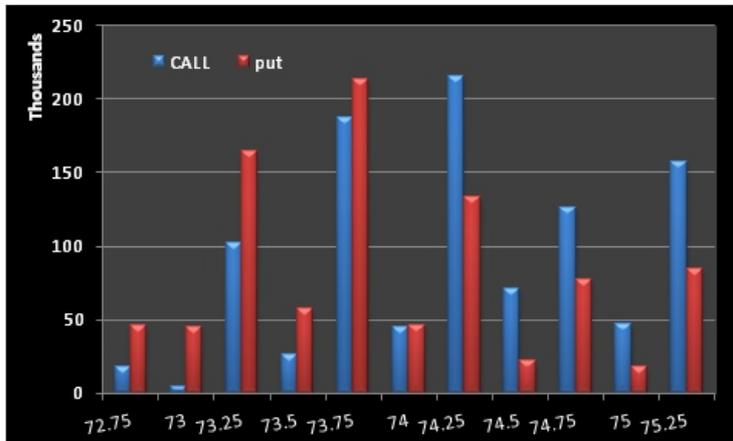
Later pound recovered its ground after President of the European Commission on Thursday said she was convinced a trade deal with the UK was still possible despite the "distraction" caused by Boris Johnson's move to violate the Brexit withdrawal treaty. Going forward pound rupee as well as pound dollar pair will be highly volatile in coming days.

ECONOMIC DATA

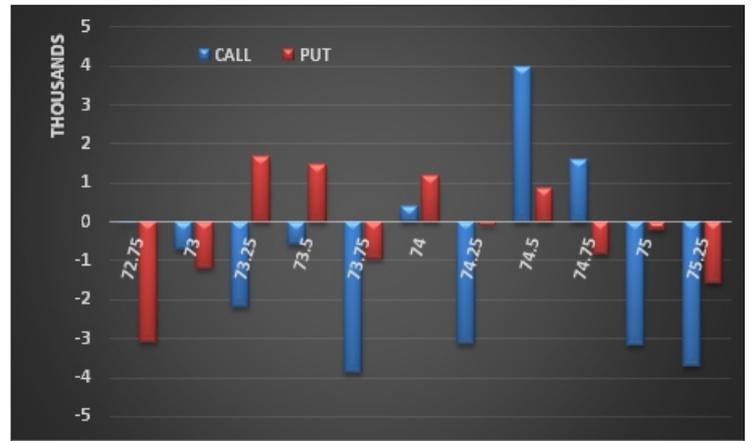
	IST	Previous	Median	SMC's Forecast
GBP Retail Sales m/m	11:30	3.60%	0.80%	0.80%
USD CB Leading Index m/m	19:30	1.40%	1.30%	1.30%



USDINR Options Activity (Near Month)



USDINR OI Change (FTD)



USDINR Option Greek Data (Near Month)

28-Sep-20	CALL			Option Greeks					PUT			Option Greeks				
	MKT_PRICE	Theoretical	IV	DELTA	GAMMA	VEGA	THETA	RHO	MKT_PRICE	Theoretical	IV	DELTA	GAMMA	VEGA	THETA	RHO
73.61																
71.75	2.3000	1.98	20.3%	0.99	0.036	0.00	-0.01	0.02	0.0025	0.00	6.6%	-0.01	0.036	0.00	0.00	0.00
72.00	0.0000	1.74	0.0%	0.98	0.065	0.01	-0.01	0.02	0.0025	0.01	5.9%	-0.02	0.065	0.01	0.00	0.00
72.25	1.7300	1.50	15.4%	0.95	0.109	0.01	-0.01	0.02	0.0050	0.02	5.6%	-0.05	0.109	0.01	0.00	0.00
72.50	1.5200	1.26	14.8%	0.92	0.169	0.02	-0.02	0.02	0.0100	0.03	5.4%	-0.08	0.169	0.02	-0.01	0.00
72.75	1.2200	1.04	12.0%	0.87	0.241	0.03	-0.02	0.02	0.0150	0.06	4.9%	-0.13	0.241	0.03	-0.01	0.00
73.00	0.9700	0.83	10.4%	0.80	0.317	0.04	-0.02	0.02	0.0250	0.10	4.4%	-0.20	0.317	0.04	-0.01	0.00
73.25	0.7725	0.65	9.7%	0.71	0.384	0.04	-0.02	0.02	0.0475	0.17	4.0%	-0.29	0.384	0.04	-0.01	-0.01
73.50	0.5625	0.48	8.6%	0.60	0.431	0.05	-0.02	0.01	0.0900	0.25	3.6%	-0.40	0.431	0.05	-0.01	-0.01
73.75	0.3875	0.35	7.8%	0.49	0.446	0.051	-0.02	0.01	0.1675	0.37	3.1%	-0.51	0.446	0.05	-0.01	-0.01
74.00	0.2500	0.24	7.2%	0.39	0.427	0.05	-0.02	0.01	0.2800	0.51	1.7%	-0.61	0.427	0.05	-0.01	-0.01
74.25	0.1550	0.16	6.9%	0.28	0.379	0.04	-0.02	0.01	0.4300	0.67	0.0%	-0.72	0.379	0.04	-0.01	-0.02
74.50	0.0850	0.10	6.6%	0.20	0.312	0.04	-0.01	0.00	0.6100	0.87	0.0%	-0.80	0.312	0.04	0.00	-0.02
74.75	0.0500	0.06	6.7%	0.13	0.238	0.03	-0.01	0.00	0.8275	1.07	0.0%	-0.87	0.238	0.03	0.00	-0.02
75.00	0.0325	0.03	7.0%	0.08	0.168	0.02	-0.01	0.00	1.0700	1.30	0.0%	-0.92	0.168	0.02	0.00	-0.02
75.25	0.0200	0.02	7.2%	0.05	0.110	0.01	0.00	0.00	1.2900	1.53	0.0%	-0.95	0.110	0.01	0.01	-0.02

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