



FX DAILY DOSSIER

March 3, 2020

KEY MARKET THEME

- Dow Jones posted biggest intraday up move in history.
- European Central Bank said "We stand ready to take appropriate and targeted measures, as necessary and commensurate with the underlying risks".
- The US Federal Reserve has also hinted at support, signaling that it was prepared to consider cutting rates in response to the virus's "evolving risks".

FX Majors	CMP	1W	1M
EURUSD	1.1140	2.37%	0.87%
GBPUSD	1.2776	-1.75%	-1.96%
USDJPY	107.97	-2.03%	-1.41%

FX Cross INR	CMP	1W	1M
USDINR	72.53	0.82%	1.75%
EURINR	80.20	3.02%	1.70%
GBPINR	92.69	-0.18%	0.05%
JPYINR	66.82	2.84%	1.88%

Global Yields	10Y-Yield	1W(bps)	1M(bps)
India	6.34%	-8.00	-24.10
US	1.13%	-34.66	-38.06
Germany	-0.62%	-19.06	-18.77
UK	0.41%	-16.26	-13.46

Flows	DTD	WTD	MTD
FII's (INR Crs)	-1354.72	-11,562.49	-1354.72

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

MACRO ANALYSIS

US equities ended a seven-day losing streak, rising 4.6 per cent in the biggest one-day gain in 14 months on expectations central banks will step in to soften the adverse economic impact of the global corona virus outbreak. The rebound pulled the benchmark index out of correction territory, and leaves it 8.8 per cent below its February 19 peak. The gains accelerated during the afternoon following reports G-7 finance ministers and central bankers would hold a teleconference Tuesday to discuss their response to the corona virus outbreak. Wall Street was led higher by technology stocks, while investors also waded in to buy beaten-up discretionary names. The Nasdaq Composite rallied 4.5 per cent, while the Dow Jones Industrial Average jumped 5.1 per cent. The sharp moves came after the Bank of Japan, in the wake of soothing statements from the Federal Reserve on Friday, said it would provide ¥500bn (\$4.62bn) in short-term liquidity to banks and a record ¥100.2bn in purchases of exchange traded funds. After Wall Street's closing bell, the European Central Bank said it was "closely monitoring" the corona virus outbreak and its implications for the economy and monetary policy. "We stand ready to take appropriate and targeted measures, as necessary and commensurate with the underlying risks," the bank said in a statement. Expectations that the Fed could cut interest rates as soon as this month, have helped push bond yields sharply lower in recent days as prices for government debt soared. The yield on the benchmark 10-year US Treasury bond struck a record low on Monday, just above 1 per cent, but reversed course to be up 2.6 basis points to 1.15 per cent after Wall Street's closing bell. European stocks flicked back into positive territory, shaking off steep earlier declines. The broad Stoxx 600 index closed 0.1 per cent higher, while the FTSE 100 was up by 1.1 per cent. Asian stocks rallied overnight, with China's CSI 300 index closing up 3.3 per cent in its best one-day performance since May. The Bank of Japan also vowed to fight the economic effects of corona virus. In an emergency statement, governor Haruhiko Kuroda promised to inject liquidity into markets and hinted at raising asset purchases, indicating the central bank is moving into crisis mode. The US Federal Reserve has also hinted at support, signaling that it was prepared to consider cutting rates in response to the virus's "evolving risks".

ECONOMIC DATA

	IST	Previous	Median	SMC's Forecast
GBP BOE Gov Carney Speaks	15:00	-	-	-

PIVOT LEVELS

Currency	Day's Trend	Pivot	S1	S2	S3	R1	R2	R3
USD/INR (MAR)	POSITIVE	72.72	72.42	71.96	71.67	73.18	73.48	73.94
EUR/INR (MAR)	POSITIVE	80.64	80.19	79.51	79.06	81.33	81.78	82.47
JPY/INR (MAR)	POSITIVE	67.47	67.02	66.31	65.87	68.18	68.63	69.34
GBP/INR (MAR)	SIDEWAYS	92.97	92.60	92.09	91.72	93.48	93.85	94.36

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