



# FX DAILY DOSSIER

December 31, 2020

## KEY MARKET THEME

- Dollar sucked into downward spiral by U.S. twin deficits.
- Sterling jumped as lawmakers approved a post-Brexit trade deal with the European Union.
- Asian shares hover near record high, risk currencies in favor.

FX Majors	CMP	1W	1M
EURUSD	1.2310	0.98%	1.30%
GBPUSD	1.3648	0.70%	1.47%
USDJPY	103.09	-0.55%	-0.72%

FX Cross INR	CMP	1W	1M
USDINR	73.19	-0.65%	-0.40%
EURINR	90.09	0.19%	1.02%
GBPINR	99.90	-0.38%	0.81%
JPYINR	71.00	0.05%	-0.19%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	5.91%	-3.50	1.80
US	0.93%	-0.99	9.09
Germany	-0.57%	-0.15	1.41
UK	0.21%	-3.60	-7.18

Flows	DTD	WTD	MTD
FII's (INR Crs)	1,824.52	6,765.32	47,088.35

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

## MACRO ANALYSIS

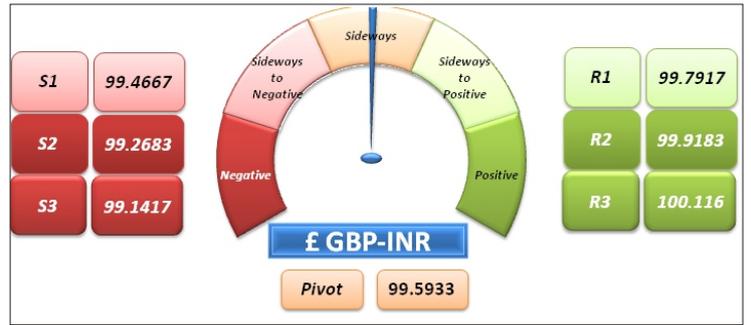
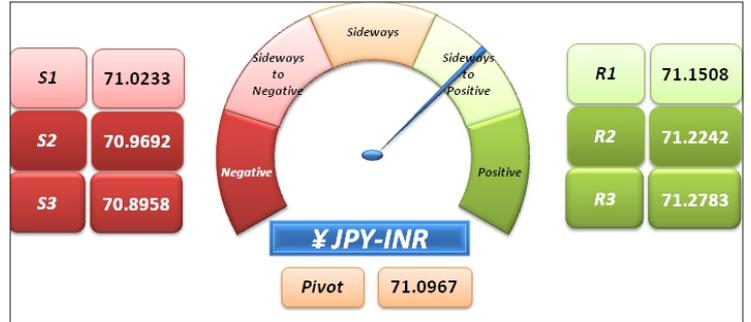
The dollar was ending 2020 in a downward spiral on Thursday with investors wagering a global economic recovery will suck money into riskier assets even as the yawning U.S. twin deficits argue for an ever cheaper currency. The euro steamed ahead to \$1.2305, having hit its highest since April 2018 with a gain of almost 10% for the year. The next stops for the bull train are \$1.2413 and \$1.2476, on the way to the 2018 peak at \$1.2555. Sterling jumped as lawmakers approved a post-Brexit trade deal with the European Union.

The prospect of a brighter 2021 has lessened the need for the safe-haven dollar, while burnishing the attraction of riskier assets especially in emerging markets. Bears have also resurrected the "twin deficits" excuse for shorting the dollar - that the explosion in the budget and trade deficits means more dollars being printed and moved abroad. From this perspective the new U.S. stimulus bill is dollar negative as it adds to the nation's debt, and President-elect Joe Biden is promising a lot more next year.

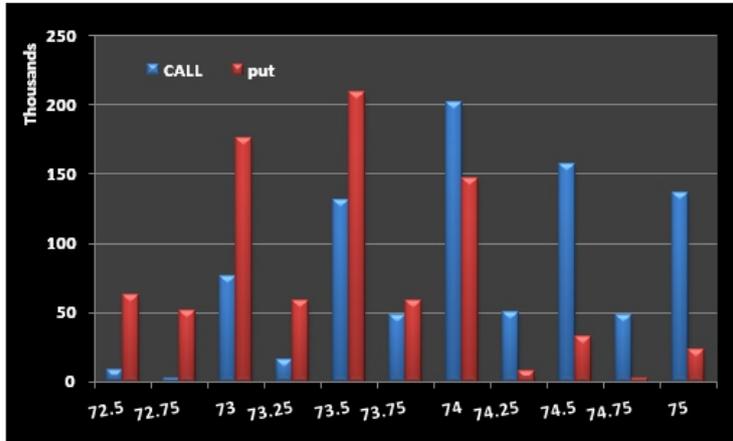
The country is also haemorrhaging dollars on its trade account where the deficit on goods hit a record \$84.8 billion in November as imports surged past pre-pandemic levels. Likewise, the current account deficit widened to a 12-year high in the third quarter and there was a large shortfall in net financial transactions as Americans borrowed more from abroad. In contrast, the European Union runs a huge current account surplus, largely thanks to Germany, so there is a natural inflow to euros through trade.

## ECONOMIC DATA

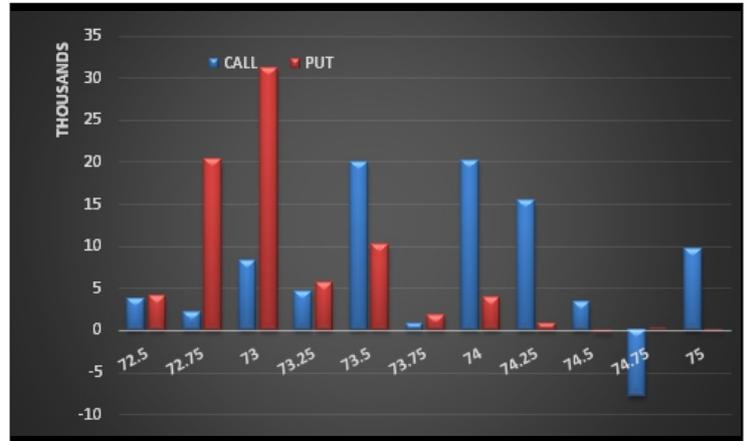
	IST	Previous	Median	SMC's Forecast
USD Unemployment Claims	19:00	803K	832K	832K



USDINR Options Activity (Near Month)



USDINR OI Change (FTD)



USDINR Option Greek Data (Near Month)

27-Jan-21	CALL			Option Greeks					PUT			Option Greeks				
	MKT_PRICE	Theoretical	IV	DELTA	GAMMA	VEGA	THETA	RHO	MKT_PRICE	Theoretical	IV	DELTA	GAMMA	VEGA	THETA	RHO
73.19																
71.50	1.9200	2.02	0.0%	0.96	0.079	0.02	-0.01	0.05	0.0150	0.02	5.6%	-0.04	0.079	0.02	0.00	0.00
71.75	1.8200	1.78	7.2%	0.93	0.111	0.03	-0.01	0.05	0.0250	0.04	5.5%	-0.07	0.111	0.03	0.00	0.00
72.00	1.4425	1.55	0.0%	0.90	0.148	0.04	-0.01	0.05	0.0325	0.06	5.2%	-0.10	0.148	0.04	0.00	-0.01
72.25	0.0000	1.34	0.0%	0.86	0.190	0.05	-0.02	0.05	0.0500	0.09	5.0%	-0.14	0.190	0.05	0.00	-0.01
72.50	1.0000	1.13	2.3%	0.80	0.233	0.06	-0.02	0.04	0.0825	0.13	5.0%	-0.20	0.233	0.06	0.00	-0.01
72.75	0.7950	0.94	3.4%	0.74	0.272	0.06	-0.02	0.04	0.1300	0.19	5.0%	-0.26	0.272	0.06	0.00	-0.01
73.00	0.6250	0.77	4.0%	0.67	0.305	0.07	-0.02	0.04	0.2025	0.27	5.1%	-0.33	0.305	0.07	0.00	-0.02
73.25	0.4750	0.61	4.2%	0.59	0.326	0.08	-0.02	0.03	0.3050	0.36	5.3%	-0.41	0.326	0.08	0.00	-0.02
73.50	0.3550	0.48	4.5%	0.50	0.334	0.079	-0.01	0.03	0.4325	0.48	5.5%	-0.50	0.334	0.08	0.00	-0.03
73.75	0.2675	0.36	4.8%	0.42	0.328	0.08	-0.01	0.02	0.5900	0.61	5.7%	-0.58	0.328	0.08	0.00	-0.03
74.00	0.1875	0.27	4.8%	0.34	0.308	0.07	-0.01	0.02	0.7650	0.77	6.0%	-0.66	0.308	0.07	0.00	-0.04
74.25	0.1325	0.20	5.0%	0.27	0.277	0.07	-0.01	0.01	0.9600	0.94	6.3%	-0.73	0.277	0.07	0.00	-0.04
74.50	0.0950	0.14	5.2%	0.21	0.239	0.06	-0.01	0.01	1.1800	1.13	6.8%	-0.79	0.239	0.06	0.00	-0.04
74.75	0.0700	0.09	5.5%	0.15	0.198	0.05	-0.01	0.01	1.4200	1.34	7.6%	-0.85	0.198	0.05	0.01	-0.05
75.00	0.0500	0.06	5.6%	0.11	0.157	0.04	-0.01	0.01	1.5825	1.55	6.7%	-0.89	0.157	0.04	0.01	-0.05

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