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FX DAILY DOSSIER

May 14, 2020

KEY MARKET THEME

- USD/INR may retest 76.30 soon after risk-aversion sentiment continues.
- US Fed Chair warned gloomier outlook of the US economy.
- Pound & Euro drag lower amid higher risk-off bidding continues in Dollar.

FX Majors	CMP	1W	1M
EURUSD	1.0811	-0.22%	-0.26%
GBPUSD	1.2205	-1.27%	-2.03%
USDJPY	106.87	0.57%	-0.97%

FX Cross INR	CMP	1W	1M
USDINR	75.50	-0.39%	-1.70%
EURINR	81.61	-0.44%	-2.01%
GBPINR	92.14	-1.60%	-3.63%
JPYINR	70.63	-0.98%	-0.76%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.10%	-1.50	-40.30
US	0.64%	2.37	-8.97
Germany	-0.53%	6.02	-18.12
UK	0.21%	-4.05	-9.70

Flows	DTD	WTD	MTD
FIIs (INR Crs)	-283.43	314.12	17179.09

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

MACRO ANALYSIS

Indian rupee likely to fall further after euphoria came from fiscal stimulus announcement a day before from Prime Minister. Ironically the longer any major announcement, the more chances of discounting such development in the markets and that exactly what surfaced in dollar-rupee market. Admittedly lift in rupee now cap around 75.00 unless any major dollar flows hit the interbank desk. We think now front-line driver to push back rupee will be from global risk-aversion sentiment coming out after COVID-19 cases are rising and especially US is facing big hazardous situation at the moment. We are penciling-in USD/INR will remain in a range of 74.80-76.50 in coming days with an upward bias.

Meanwhile Dollar remains at bid due to risk-off trades pushed riskier assets after the chair of the Federal Reserve warned that the corona virus pandemic risked causing long-term damage to the economy. The US may need to deploy “additional policy measures” to avoid an “extended period of low productivity growth and stagnant incomes”, Jay Powell said. “The recovery may take some time to gather momentum.” On top of that euro, pound and other major currencies excluding yen are dragging lower against dollar which will be critical factor for Indian Rupee to hold the upside momentum.

ECONOMIC DATA

	IST	Previous	Median	SMC's Forecast
GBP BOE Gov Bailey Speaks	16:00			

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PIVOT LEVELS

Currency	Day's Trend	Pivot	S1	S2	S3	R1	R2	R3
USD/INR	SIDEWAYS	75.37	75.13	74.87	74.63	75.63	75.87	76.13
EUR/INR	SIDEWAYS	81.79	81.62	81.35	81.18	82.06	82.23	82.50
JPY/INR	POSITIVE	70.38	70.16	69.86	69.65	70.68	70.90	71.20
GBP/INR	NEGATIVE	92.65	92.31	91.88	91.53	93.08	93.43	93.86

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