



# FX DAILY DOSSIER

September 16, 2020

## KEY MARKET THEME

- Fed likely to maintain status-quo from its last meeting.
- Markets will closely watch whether Fed can provide Average Inflation Targeting Framework.
- Dollar Index unlikely to wide its wings after the policy outcome.

FX Majors	CMP	1W	1M
EURUSD	1.1847	0.37%	0.07%
GBPUSD	1.2907	-0.72%	-1.47%
USDJPY	105.28	-0.85%	-0.79%

FX Cross INR	CMP	1W	1M
USDINR	73.61	0.41%	-1.66%
EURINR	87.20	0.76%	-1.60%
GBPINR	95.01	-0.33%	-3.11%
JPYINR	69.90	1.25%	-0.89%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.03%	9.00	7.70
US	0.68%	-4.16	-2.97
Germany	-0.48%	-0.99	-5.79
UK	0.22%	-4.53	-2.55

Flows	DTD	WTD	MTD
FII's (INR Crs)	1,170.89	1,460.75	1,056.35

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

## MACRO ANALYSIS

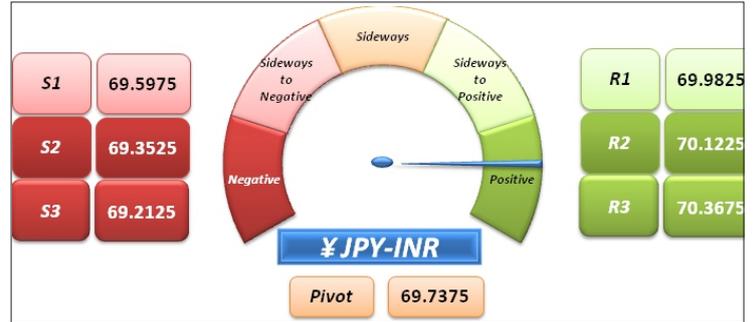
As we entered into yet another round of FOMC meet where market participants already priced-in for a dovish stance (not eager to raise rates sooner) amid pandemic situation in US. Admittedly, cases are spilling over but the latest economic figures are not as gloomy as thought so. Undoubtedly, Dollar Index is getting weaker from the dovish forward guidance but caution is required as Fed may review its position in coming months. At the same time, other developed central banks are not aligning with the Fed which is the biggest risk for dollar so far.

Apparently today's meeting will be more focus on the Fed's new average inflation framework. Markets will be closely watching the parameters for this framework - when Fed will consider to raise rates ( end 2022 or beyond ) or will the rate setters allow inflation to run beyond 2%. Albeit, Fed maintains status-quo in Fed Fund markets but other funding markets are getting strongly hit notably the commercial paper (CP) segment due to lower interest rate. Thus Fed may review such scenarios before sounding extreme dovish.

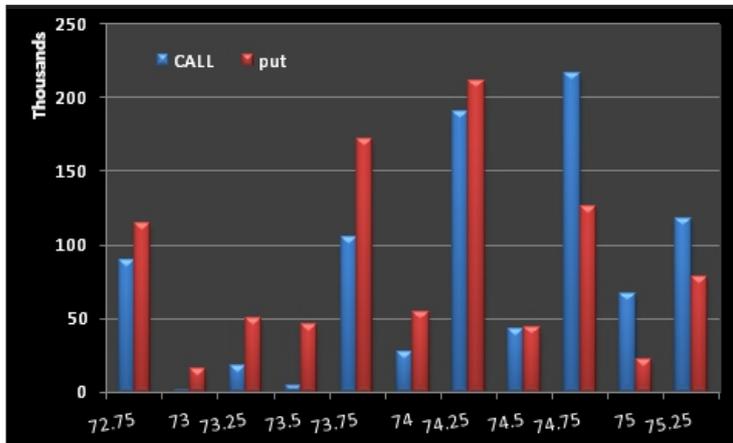
As far as Dollar is concerned, it remains extremely downhearted but relative growth differences between developed markets pushed the greenback into red for last few months. However, the July Job Opening and Labour Turnover Survey (JOLTS) released last week suggests the labour market is in much better health than the downbeat jobless claims figures imply which we think Dollar downside will be capped soon. For rupee, the broad range in next few weeks will be from 72.40 to 74.55 on spot based on present scenarios of monetary policies across developed and emerging markets as well.

## ECONOMIC DATA

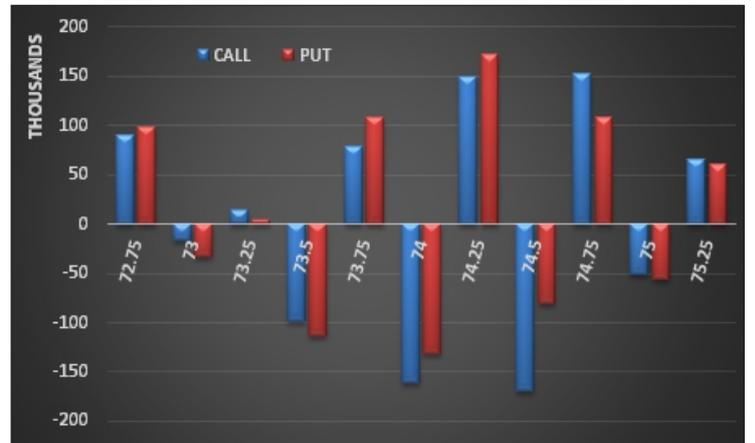
	IST	Previous	Median	SMC's Forecast
USD Core Retail Sales m/m	18:00	1.90%	1.00%	1.00%
USD FOMC Statement	23:30	-	-	-



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	2.7375	1.99	29.4%	0.98	0.041	0.01	-0.01	0.02	0.0050	0.01	7.0%	-0.02	0.041	0.01	0.00	0.00
72.00	0.0000	1.75	0.0%	0.97	0.071	0.01	-0.01	0.02	0.0000	0.01	0.4%	-0.03	0.071	0.01	0.00	0.00
72.25	1.7775	1.51	15.7%	0.95	0.115	0.01	-0.01	0.02	0.0050	0.02	5.4%	-0.05	0.115	0.01	0.00	0.00
72.50	0.0000	1.28	0.0%	0.91	0.173	0.02	-0.02	0.02	0.0075	0.04	5.0%	-0.09	0.173	0.02	-0.01	0.00
72.75	1.7100	1.06	21.7%	0.86	0.240	0.03	-0.02	0.02	0.0100	0.07	4.3%	-0.14	0.240	0.03	-0.01	0.00
73.00	1.4725	0.85	20.0%	0.79	0.309	0.04	-0.02	0.02	0.0125	0.11	3.6%	-0.21	0.309	0.04	-0.01	-0.01
73.25	1.2225	0.67	18.0%	0.70	0.370	0.05	-0.02	0.02	0.0225	0.18	3.1%	-0.30	0.370	0.05	-0.01	-0.01
73.50	0.9850	0.51	16.1%	0.61	0.412	0.05	-0.02	0.01	0.0350	0.26	2.2%	-0.39	0.412	0.05	-0.01	-0.01
73.75	0.7700	0.37	14.5%	0.50	0.427	0.053	-0.02	0.01	0.0675	0.38	1.2%	-0.50	0.427	0.05	-0.01	-0.01
74.00	0.5725	0.26	13.0%	0.39	0.412	0.05	-0.02	0.01	0.1175	0.52	0.0%	-0.61	0.412	0.05	-0.01	-0.01
74.25	0.4025	0.17	11.7%	0.30	0.370	0.05	-0.02	0.01	0.2000	0.68	0.0%	-0.70	0.370	0.05	-0.01	-0.02
74.50	0.2700	0.11	10.6%	0.21	0.311	0.04	-0.01	0.01	0.3150	0.87	0.0%	-0.79	0.311	0.04	0.00	-0.02
74.75	0.1725	0.07	9.9%	0.14	0.243	0.03	-0.01	0.00	0.4675	1.07	0.0%	-0.86	0.243	0.03	0.00	-0.02
75.00	0.1050	0.04	9.3%	0.09	0.177	0.02	-0.01	0.00	0.6500	1.29	0.0%	-0.91	0.177	0.02	0.00	-0.02
75.25	0.0675	0.02	9.2%	0.06	0.121	0.02	-0.01	0.00	0.8525	1.53	0.0%	-0.94	0.121	0.02	0.01	-0.02

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