



FX DAILY DOSSIER

May 06, 2020

KEY MARKET THEME

- Long delay in fiscal stimulus announcement from Indian government may have prompted fear in dollar-rupee market.
- Euro drag lower to three weeks low after German court raise credibility of ECB.
- German court challenge to block fresh purchases of German bonds through stimulus program.

FX Majors	CMP	1W	1M
EURUSD	1.0839	-0.32%	-0.17%
GBPUSD	1.2438	-0.28%	0.44%
USDJPY	106.31	-0.33%	-2.31%

FX Cross INR	CMP	1W	1M
USDINR	75.76	0.62%	-0.25%
EURINR	82.13	0.33%	-0.37%
GBPINR	94.20	0.36%	0.22%
JPYINR	71.26	0.97%	2.11%

Global Yields	10Y-Yield	1W(bps)	1M(bps)
India	6.07%	-6.80	-23.50
US	0.66%	5.79	6.72
Germany	-0.58%	-10.60	-13.83
UK	0.21%	-8.53	-10.58

Flows	DTD	WTD	MTD
FII's (INR Crs)	-1059.39	-2,433.37	-2433.37

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

MACRO ANALYSIS

It is inevitable that any rise in rupee will be eaten out as dollar bid outnumbered aggressively. Ease of lock-down globally doesn't help much in emerging currencies as concerns over demand still in-check while supply side may start to pick-up in near weeks. Long delay of fiscal stimulus announcement may have prompted fear in dollar-rupee market to remain bearish in the domestic unit. For the day, we may see modest selling of dollars from exporters end as markets are turning choppy between risk modes.

Meanwhile the big news came yesterday evening which drag euro below \$1.09 after Germany's constitutional court has threatened to block fresh purchases of German bonds through the European Central Bank's flagship stimulus programme, potentially weakening the bloc's monetary policy response to the corona virus crisis. The court on Tuesday ordered the German government and parliament to ensure that the ECB carried out a "proportionality assessment" of its vast purchases of government debt to ensure that their "economic and fiscal policy effects" did not outweigh its policy objectives, and threatened to block new bond-buying unless the ECB did so within three months as reported by FT.

While we think the German constitutional court ruling will not bring the ECB's asset purchase programme to a halt but it certainly highlights the severity of a successful legal challenge in the future that could contribute to increased tensions in the bond markets and to a risk of euro-zone break-up. We are constantly maintaining a neutral to negative view on euro and sudden intervention will support our view in long-run.

ECONOMIC DATA

	IST	Previous	Median	SMC's Forecast
INR Markit Services PMI APR	10:30 AM	49.3	40.1	40

PIVOT LEVELS

Currency	Day's Trend	Pivot	S1	S2	S3	R1	R2	R3
USD/INR	POSITIVE	75.86	75.64	75.44	75.23	76.06	76.27	76.48
EUR/INR	SIDEWAYS	82.63	82.50	82.13	82.00	83.01	83.14	83.51
JPY/INR	POSITIVE	70.86	70.55	70.14	69.83	71.28	71.59	72.00
GBP/INR	SIDEWAYS	94.31	93.98	93.86	93.53	94.43	94.76	94.88

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