

HDFC securities Retail Research

Currency Insights Weekly

08 February 2021



Analyst:
Dilip Parmar
dilip.parmar@hdfcsec.com



HDFC securities Retail Research: Currency Insights Weekly

Currency Movements

Currency	5-Feb-21	29-Jan-21	Chg.	% Chg
DXY Index	91.042	90.584	0.458	0.51%
EURUSD	1.205	1.214	-0.009	-0.74%
GBPUSD	1.374	1.371	0.003	0.20%
USDJPY	105.39	104.68	0.710	0.68%
USDINR	72.929	72.954	-0.025	-0.03%
EURINR	87.353	88.397	-1.044	-1.18%
GBPINR	99.844	99.719	0.125	0.13%
JPYINR	69.210	69.670	-0.460	-0.66%
1M USDINR NDF	73.100	73.160	-0.060	-0.08%

RBI Reference Rate

Currency	5-Feb-21	29-Jan-21	Chg.	% Chg
USDINR	72.8986	72.9519	-0.0533	-0.07%
EURINR	87.1979	88.3010	-1.1031	-1.25%
GBPINR	99.7258	100.0151	-0.2893	-0.29%
JPYINR	69.0700	69.8200	-0.7500	-1.07%

India 10 Year G-Sec.

Instrument	5-Feb-21	29-Jan-21	Chg.
GS2030	6.0710	5.9060	0.1650

Rupee : Outlook remains Bright

- Indian rupee consolidated in small range for another week and marked 3 paise gain to 72.93 a dollar. Foreign funds remained net buyer in the domestic equities and debt market in the week gone. They bought \$2.07 billion equities and \$54.6 million debt. Even after two big events, Union Budget and Monetary policy, rupee manages to close with gains and one of the out performing currencies among Asian baskets.
- The domestic equity benchmark index touched life high after RBI monetary policy. India's central bank kept interest rates on hold, while assuring markets of ample liquidity to manage the government's near- record borrowing.
- Going Ahead, spot USDINR is expected to trade with negative bias and may touch September low of 72.75 in coming week. While on higher side 73.25 and 73.50 remains the supply area.
- **Forex Reserves:** India's forex reserves rose \$4.85 billion to touch a record high of \$590.18 billion in the week ended January 29, as per the weekly RBI release.
- Dollar ended the week with half a percentage gain to 91.04 mainly on back of short covering. Pound has been the best performing G10 currency last week, helped by the BoE meeting that have further reduced the odds of negative rates. We expect Euro and other low-yielder Japanese Yen may struggle to recover, while Pound could remain a key outperformer in coming days.
- In last couple of days, we have seen positive correlation between dollar and equities, which reversed on Friday after job reports. The weakening of the USD-equities inverse correlation was partly due to some squaring of dollar positions, according to CFTC data.
- **CFTC Data:** There was a reasonable liquidation of euro longs with net selling totaled 28k contracts, the biggest unwinding in two-and-a-half years (23rd June 2018). While Sterling (1.6k), Swissie (4.5k) and CAD (2.3k) all saw reasonable net buying, but overall the aggregate dollar short on the fell by \$3 billion during the week.

USDINR Feb. Futures Daily Chart



Technical Observations:

- » USDINR February Futures formed candle with small body suggesting tiredness by bulls and bear. Short term trend remains bearish amid lower peak and trough on daily chart. Near term resistance is placed at 73.40 odd levels while 72.75 will act as support.
- » Momentum oscillators and indicators turned weak on daily chart while weekly chart suggesting weaker trend.
- » Option Distribution data suggest maximum pain level of 73 while writing on 73.50 and 72.50 put will act as near term resistance and support, respectively.
- » ***Looking at the above evidences, we remain bearish and looking for 72.75 on downside while any level of 73.50 will negate the view.***

EURINR Feb. Futures Daily Chart



Technical Observations:

- » EURINR February futures formed Doji candlestick pattern suggesting indecisiveness among traders.
- » The pair has retraced 4% from the top of 90.98. It is expected to witness short covering bounce from 87.30, the 23.6% Fibonacci retracement adjoining low 77.24 and high 90.98. While higher side we could see resistance around 88.40 (the target of double top and Nov.24 low).
- » Momentum oscillators and indicators on daily as well as weekly chart suggesting oversold and weaker momentum.
- » *We expect short covering bounce in coming days before heading lower towards 86.87 (200 DMA). Short term traders should cover short position and wait for bounce to make fresh short.*

GBPINR Feb. Futures Daily Chart



Technical Observations:

- » GBPINR February futures given false breakdown of rising trend line and 50 DMA on Thursday on BoE policy meet day. On next day, it manages to rebound and closed above trend line and 50 DMA, but slightly below 20 DMA. This indicates bulls are still in the game.
- » Momentum Oscillator, RSI is placed around 50 odd levels and turned upward suggesting continuation of upward momentum.
- » We remain bullish in pound and expect outperformance against Euro and Dollar.
- » **Short term traders should look for 100.50 and 101.10 levels by keeping stop below 99.25 odd levels.**

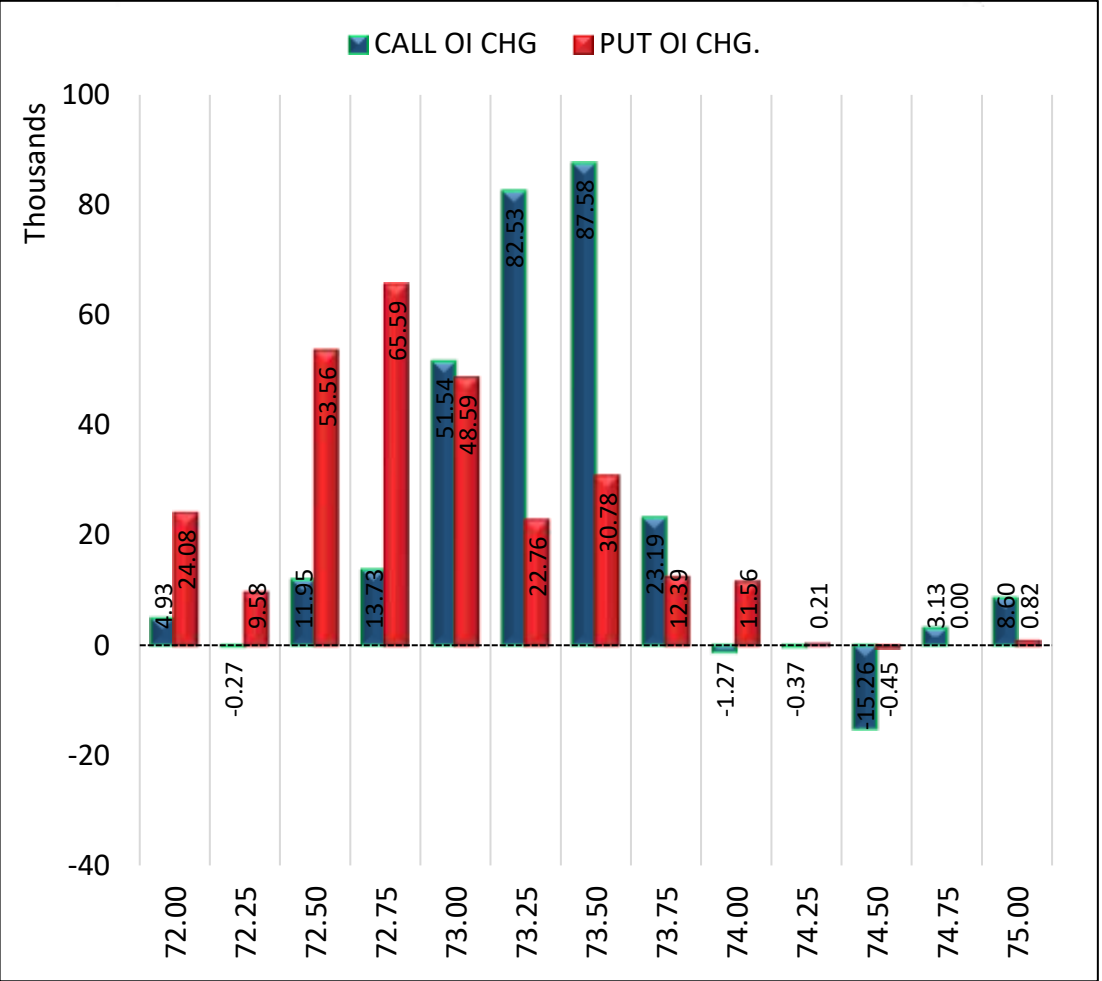
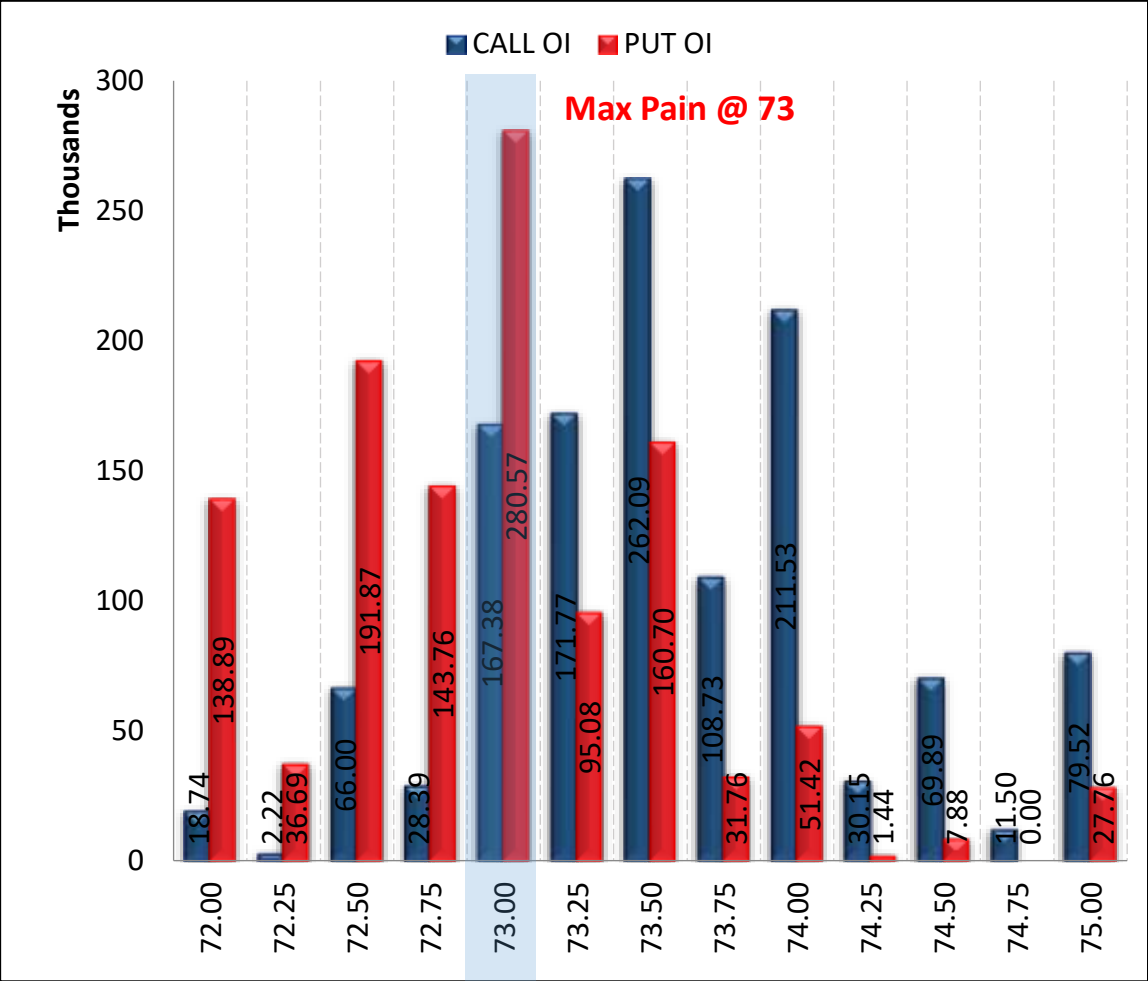
JPYINR Feb. Futures Daily Chart



Technical Observations:

- JPYINR February futures fell for the seven week in row and reached the lower band of the rectangle pattern (In formation since April 2020)
- There is negative cross over of moving average, short term moving averages are placed below long term averages suggesting down trend in the pair.
- While momentum oscillators on daily and weekly chart are highly oversold suggesting short covering bounce.
- Looking at the daily and weekly technical indicators and patterns, we could see short covering bounce up to 70.25 level. Short term trader should cover short around 69 odd level and re-enter sell around 70.25 for target of 68.80.***

USDINR February Option Distribution



HDFC securities Retail Research: Currency Insights Weekly

Dollar Index Daily Chart



EURUSD Daily Chart



GBPUSD Daily Chart



USDJPY Daily Chart



HDFC securities Retail Research: Currency Insights Weekly

Currency Derivative Price Actions

Currency	HIGH	LOW	CLOSE	WKLY CHG.	WKLY % CHG.	NEAR MONTH OI	WKLY OI CHG	OI % Chg.	VOLUME	WKLY VOL CHG	Volume % Chg.
NSE INRUSD Future Feb21	73.3650	72.9375	73.0675	-0.1000	-0.14%	3141772	-116517	-4%	1715623	-356433	-17%
NSE EURINR Future Feb21	88.9400	87.4150	87.5425	-1.2325	-1.39%	126985	-10033	-7%	127783	-31827	-20%
NSE GBPINR Future Feb21	100.6825	99.2600	99.9350	-0.2100	-0.21%	161981	-16103	-9%	379442	-70970	-16%
NSE JPYINR Future Feb21	70.0900	69.2025	69.2250	-0.6475	-0.93%	38991	1507	4%	44787	-9686	-18%
NSE EURUSD Fut Feb21	1.2133	1.1964	1.1985	-0.0149	-1.23%	2870	549	24%	2664	1536	136%
NSE GBPUSD Fut Feb21	1.3749	1.3580	1.3676	-0.0013	-0.09%	2392	129	6%	9635	6323	191%
NSE USDJPY Fut Feb21	105.5900	104.6600	105.54	0.85	0.81%	157	88	128%	27	-128	-83%

Technical Levels

Currency	Resi.2	Resi.1	Pivot	Supt.1	Supt.2	8 DEMA	21 DEMA	50 DEMA	UPPER BOLL	LOWER BOLL	RSI
NSE INRUSD Future Feb21	73.55	73.31	73.12	72.88	72.70	73.18	73.35	73.73	73.70	72.98	36.12
NSE EURINR Future Feb21	89.49	88.52	87.97	86.99	86.44	88.19	88.79	89.16	90.11	87.62	23.63
NSE GBPINR Future Feb21	101.38	100.66	99.96	99.24	98.54	99.95	100.00	99.67	100.66	99.46	49.82
NSE JPYINR Future Feb21	70.39	69.81	69.51	68.92	68.62	69.79	70.30	70.79	71.37	69.37	21.64
NSE EURUSD Fut Feb21	1.2196	1.2091	1.2027	1.1922	1.1858	1.2050	1.2108	1.2100	1.2246	1.1990	33.68
NSE GBPUSD Fut Feb21	1.3837	1.3757	1.3668	1.3588	1.3499	1.3658	1.3638	1.3528	1.3761	1.3535	54.20
NSE USDJPY Fut Feb21	106.19	105.87	105.26	104.94	104.33	104.89	104.33	104.14	105.42	103.03	72.38

HDFC securities Retail Research: Currency Insights Weekly

Economic Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
8 February	9 February	10 February	11 February	12 February
Japan: Balance of Payment	US: JOLTS Job Openings	China: CPI UK: IIP, Trade Balance, GDP US: CPI,	China: Lunar New Year Japan: Nat. Foundation Holiday US: Initial & continues Jobless claims, Monthly Budget Statement	China: Lunar New Year EU : IIP India: IIP, CPI US: Univ. Mich. Sentiment
15 February	16 February	17 February	18 February	19 February
China: Lunar New Year US: Presidents' Holiday Japan: GDP, IIP EU: Trade Balance India: Trade Balance, WPI	China: Lunar New Year EU: GDP(4Q P), ZEW survey US: Empire Mfg.	China: Lunar New Year Japan: Trade Balance UK: CPI, HPI US: IIP, FOMC Minutes	EU: CPI (Jan F), US: Building Permits, Housing Starts, Initial & Continues Jobless	India Forex Market Holiday on account of Chatrapati Shivaji Jayanti Japan: CPI UK: Public Finance EU: ECB CA
22 February	23 February	24 February	25 February	26 February
US: Leading Index, Dallas Fed Mfg. Activity	Japan: Emperors' Birthday China: New Home Price UK: ILO Employment US : House PPI, Rich. Fed mfg. Ind.	US: New Home Sales, MBA Mort. Appl.	EU: Consumer Confidence US: Durable Goods, Initial & Continues Jobless Claims, GDP , Core PCE, Pending Home Sales	Japan: IIP(Jan P) India: Fiscal Deficit, GDP, Eight Core Infra US: Personal Income-Spending, PCE Core

HDFC securities Retail Research: Currency Insights Weekly

Disclosure:

I **Dilip Parmar, MBA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

