

HDFC securities Retail Research Currency Insights Weekly

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Currency Movements

Currency	15-Jan-21	08-Jan-21	Chg.	% Chg
DXY Index	90.772	90.098	0.674	0.75%
EURUSD	1.208	1.222	-0.014	-1.11%
GBPUSD	1.359	1.357	0.002	0.16%
USDJPY	103.85	103.94	-0.090	-0.09%
USDINR	73.066	73.245	-0.179	-0.24%
EURINR	88.718	89.647	-0.929	-1.04%
GBPINR	99.680	99.617	0.062	0.06%
JPYINR	70.330	70.550	-0.220	-0.31%
1M USDINR NDF	73.470	73.630	-0.160	-0.22%

RBI Reference Rate

Currency	15-Jan-21	08-Jan-21	Chg.	% Chg
USDINR	73.0243	73.3344	-0.3101	-0.42%
EURINR	88.6447	89.9446	-1.2999	-1.45%
GBPINR	99.8262	99.5246	0.3016	0.30%
JPYINR	70.3700	70.6000	-0.2300	-0.33%

India 10 Year G-Sec.

Instrument	15-Jan-21	08-Jan-21	Chg.
GS2030	5.9500	5.8750	0.0750

Dollar Strength to Prompt Weakness in Asian Currencies

- » Rupee gains in eight out of last nine weeks, all thanks to inflows and recovery in domestic economic activities. In the week gone, rupee closed at 73.07 a dollar up 18 paise or quarter per centage. A continuation of the recent moves in stocks and bond yields on the back of more sizeable US fiscal stimulus could help the dollar regain some lost ground against major trading currencies including EM currencies. Though, the technical setup and fund inflows back rupee while rebound in dollar index could spoil market sentiment in coming days.
- » Spot USDINR is having support at 72.75, low September 1 and resistance at 73.59, the 200 days simple moving average.
- » **Indian Bond Market:** The RBI drained two trillion rupees from the banking system via 14 days reverse repo auction in its first step to resuming normal liquidity operations. The benchmark 10 year bond yields up 8 bps to 5.95% in last week. Central banks will buy bonds worth 100 billion rupees on Jan.21.
- » **Fund Inflows:** Overseas investors bought worth \$2.44 billion equities while sold \$429 million bonds.
- » **Forex Reserves:** India's foreign exchange reserves jumped up by around \$758 million during the week ending 8 January to reach a record high of over \$586.08 billion according the RBI weekly release.
- » Dollar Index gained in the week gone after Fed Powell made it clear "Now is not the time to be talking about exit. I think that another lesson of the global financial crisis is be careful, not to exit too early."
- » **CFTC Data:** Dollar selling was the story of the week, with FX longs increasing in every currency. The euro (12.9k), sterling (9.3k), and the Aussie (9.4k) were the notable beneficiaries of this flow, which took the aggregate dollar short to roughly \$30 billion - an increase of three and a half years.
- » **QE Progress:** A second straight weekly decline left Reserve Bank Credit at \$7.28 trillion, as interest bearing assets at the Fed slipped \$25 billion sequentially and \$69 billion from two weeks ago.

USDINR Jan. Futures Daily Chart



Technical Observations:

- » USDINR January futures formed Doji candlestick pattern near recent bottom suggesting indecisiveness among traders.
- » The pair has been trading well below short term moving average of 21 DEMA.
- » Momentum oscillators on daily and weekly charts placed near oversold zone and expected to show some recovery in coming days.
- » Medium term trend remains down until pair closes above 73.60, the falling trend line resistance.
- » **Short covering bounce can be seen in USDINR January futures in coming days with higher side resistance around 73.60 and support around 72.90.**

EURINR Jan. Futures Daily Chart



Technical Observations:

- »» EURINR January futures closed below 50 DEMA, suggesting weakness in trend.
- »» Pair has broken the ascending trend line support on daily chart.
- »» The pair started forming lower top lower bottom sequence on daily time frame suggesting weakness.
- »» Momentum oscillator, RSI of 14 days period heading southward suggesting weaker trend.
- »» Momentum Indicator, MACD fell below zero line with negative cross over suggesting reversal in trend.
- »» ***The pair has minor support at 88.50 and breaching of the same will open for 87.50 while 89.45 remains near term hurdle.***

GBPINR Jan. Futures Daily Chart



Technical Observations:

- »» GBPINR January futures is holding support of short term moving average of 21 days.
- »» It has upward sloping trend line (adjoining low of 93.33 and 97.34) and 50 DEMA support around 99.
- »» Momentum oscillator, RSI of 14 days period hovering around 50 level and losing momentum, suggesting near term long unwinding.
- »» Momentum indicator MACD and MACD Average line flatten above zero line suggesting consolidation.
- »» ***The trend remains bullish until GBPINR January futures hold support of 99.10 while fresh rally can be seen only above 100.50.***

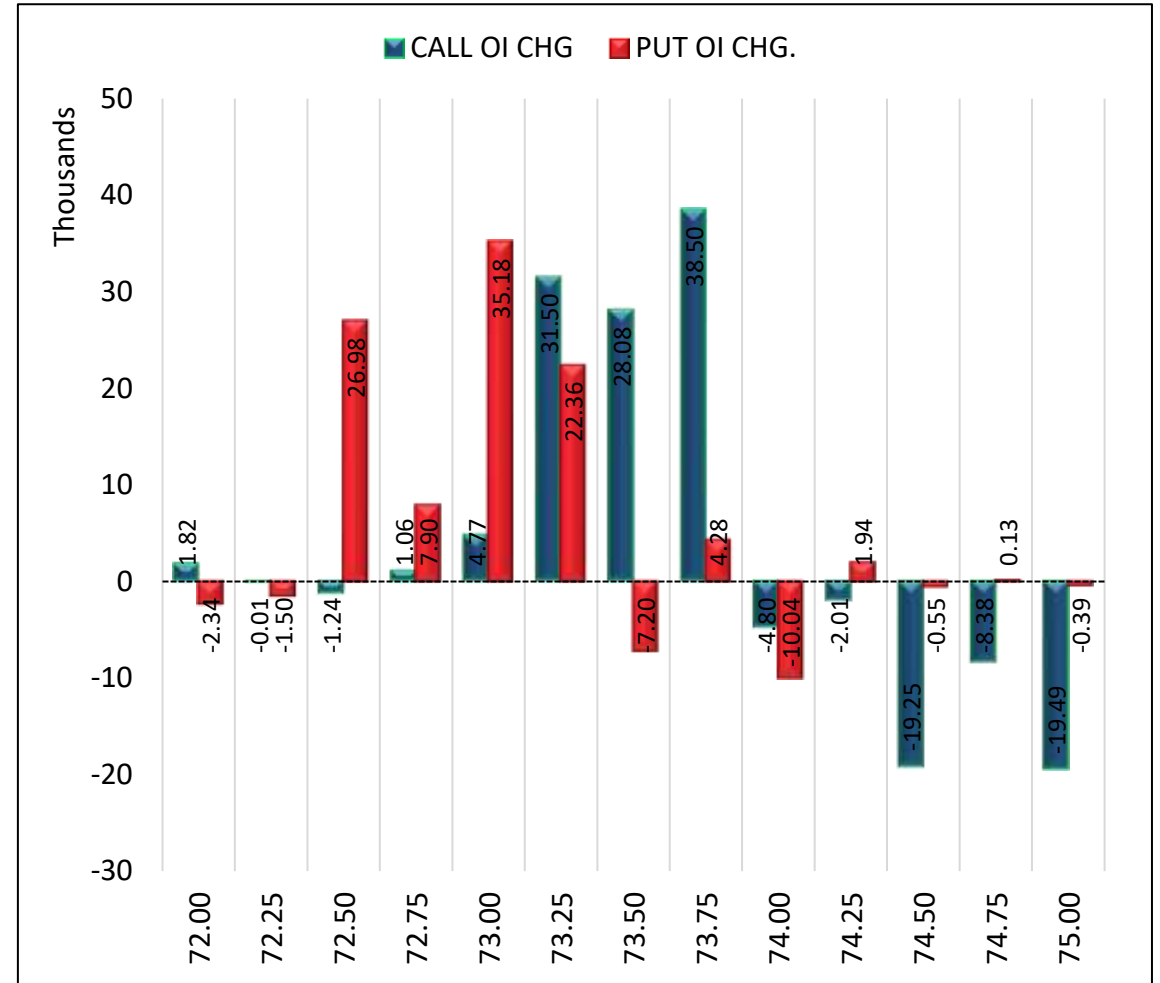
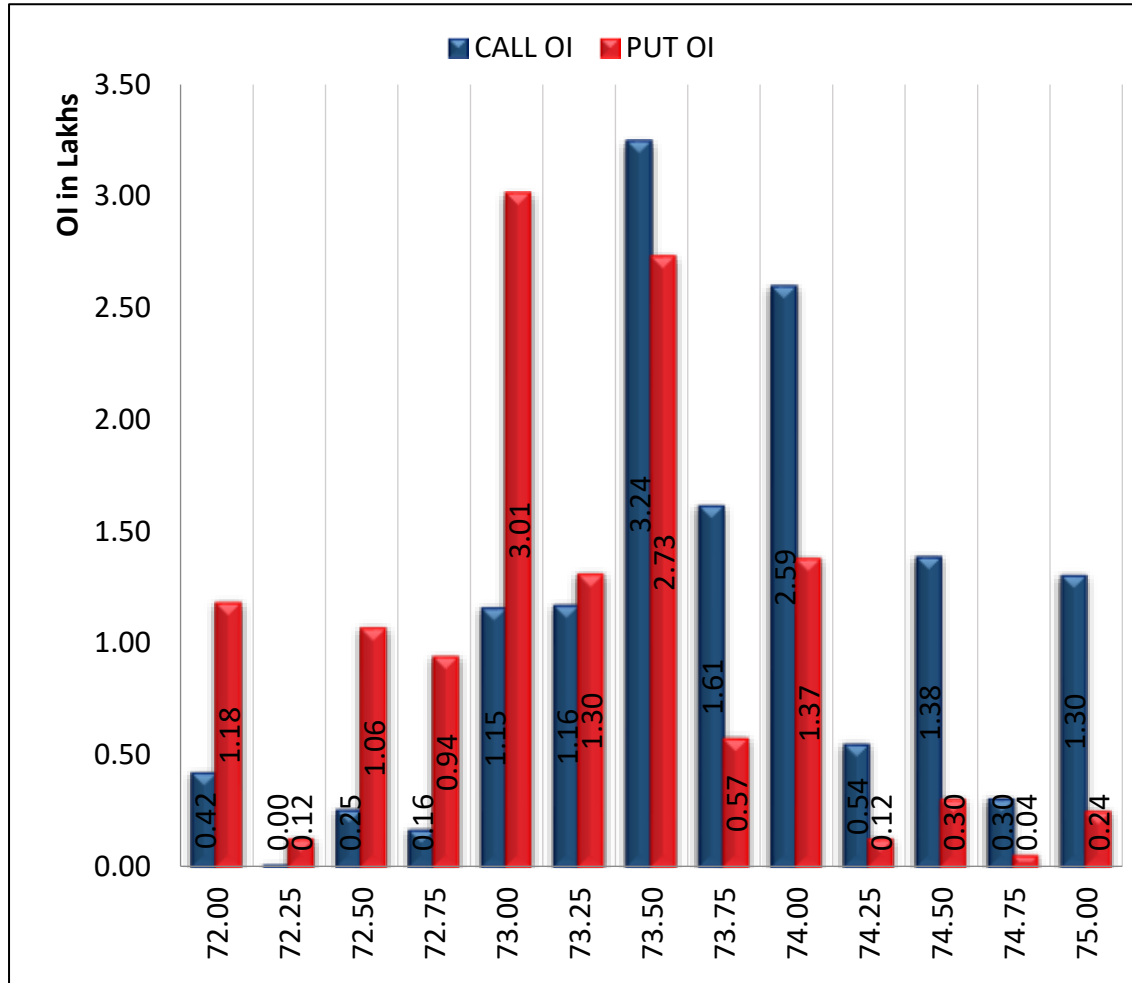
JPYINR Jan. Futures Daily Chart



Technical Observations:

- » JPYINR January futures formed small candles in last three days suggesting lackluster trading activities with overall direction remaining down.
- » It closed slightly above horizontal line support of 70.50.
- » Momentum oscillator, RSI of 14 days period reversed from oversold zone, indicating short covering bounce in coming days. Though, the trend remains down following lower top lower bottoms and weaker MACD signal.
- » ***We expect JPYINR January futures to trade in the box of 71.60 to 70.50.***

USDINR January Option Distribution



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Dollar Index Daily Chart



EURUSD Daily Chart



GBPUSD Daily Chart



USDJPY Daily Chart



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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 USDINR Future Jan21	73.6500	73.0525	73.1575	-0.2350	-0.32%	2711901	-9848	0%	1669214	-214896	-11%
NSE EURINR Future Jan21	89.7000	88.7425	88.7825	-1.0525	-1.17%	192829	-46925	-20%	175500	-32094	-15%
NSE GBPINR Future Jan21	100.3700	99.2000	99.8200	0.1000	0.10%	161980	1541	1%	280711	-71307	-20%
NSE JPYINR Future Jan21	70.8000	70.2800	70.5775	-0.1125	-0.16%	27259	-9343	-26%	47587	-18667	-28%
NSE EURUSD Future Jan21	1.2249	1.2123	1.2134	-0.0113	-0.92%	6320	60	1%	1835	-320	-15%
NSE GBPUSD Future Jan21	1.3693	1.3484	1.3646	0.0054	0.40%	5303	165	3%	1426	-490	-26%
NSE USDJPY Future Jan21	104.50	103.64	103.66	-0.13	-0.13%	172	-28	-14%	26	-188	-88%

Technical Levels

Currency	Resi.2	Resi.1	Pivot	Supt.1	Supt.2	8 DEMA	21 DEMA	50 DEMA	UPPER BOLL	LOWER BOLL	RSI
NSE USDINR Future Jan21	73.88	73.52	73.29	72.92	72.69	73.31	73.52	73.90	74.16	72.89	37.45
NSE EURINR Future Jan21	90.03	89.41	89.08	88.45	88.12	89.32	89.60	89.35	90.84	88.89	35.80
NSE GBPINR Future Jan21	100.97	100.39	99.80	99.22	98.63	99.79	99.63	99.10	100.49	98.88	52.79
NSE JPYINR Future Jan21	71.07	70.83	70.55	70.31	70.03	70.65	70.90	71.06	71.72	70.29	41.45
NSE EURUSD Future Jan21	1.2295	1.2214	1.2169	1.2088	1.2043	1.2187	1.2192	1.2102	1.2333	1.2120	44.76
NSE GBPUSD Future Jan21	1.3817	1.3731	1.3608	1.3522	1.3399	1.3615	1.3556	1.3421	1.3768	1.3355	56.65
NSE USDJPY Future Jan21	104.79	104.23	103.93	103.37	103.07	103.76	103.68	103.96	104.28	102.79	49.05



Economic Calendar

Monday Jan 18	Tuesday Jan 19	Wednesday Jan 20	Thursday Jan 21	Friday Jan 22
<ul style="list-style-type: none"> 🇨🇳 CN: GDP 7:30 AM 🇨🇳 CN: Industrial Production 7:30 AM 🇯🇵 JP: Industrial Production 10:00 AM 	<ul style="list-style-type: none"> 🇪🇺 EZ: ECB Current Account 2:30 PM 	<ul style="list-style-type: none"> 🇨🇳 CN: Loan Prime Rate 🇬🇧 UK: CPI 12:30 PM 🇬🇧 UK: PPI 12:30 PM 🇪🇺 EZ: CPI 3:30 PM 🇺🇸 US: MBA Mortgage Applications 5:30 PM 🇺🇸 US: Housing Market Index 8:30 PM 	<ul style="list-style-type: none"> 🇯🇵 JP: Merchandise Trade 5:20 AM 🇯🇵 JP: Bank of Japan Announcement 🇬🇧 UK: CBI Industrial Trends 4:30 PM 🇪🇺 EZ: ECB Announcement 6:15 PM 🇺🇸 US: Housing Starts and Permits 7:00 PM 🇺🇸 US: Jobless Claims 7:00 PM 🇺🇸 US: Philadelphia Fed Manufacturing Index 7:00 PM 🇪🇺 EZ: EC Consumer Confidence Flash 8:30 PM 	<ul style="list-style-type: none"> 🇯🇵 JP: CPI 5:30 PM 🇬🇧 UK: Public Sector Finances 12:30 PM 🇪🇺 EZ: PMI Composite Flash 2:30 PM 🇬🇧 UK: PMI Composite Flash 3:00 PM 🇺🇸 US: PMI Composite Flash 8:15 PM 🇺🇸 US: Existing Home Sales 8:30 PM

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