

# CURRENCY REPORT

KEDIA ADVISORY

Wednesday, January 27, 2021

## Currency Table

Currency	Exp. Date	Open	High	Low	Close	Change	O.Int	% Cng OI	Volume	ATP
USD-INR	Jan 2021	72.99	73.01	72.91	72.94	↓ -0.03	2318005	-8.88	1702208	72.96
EUR-INR	Jan 2021	88.85	88.90	88.59	88.68	↓ -0.19	96071	-25.06	172785	88.75
GBP-INR	Jan 2021	99.94	100.09	99.68	99.86	↑ 0.15	93142	-29.54	272557	99.92
JPY-INR	Jan 2021	70.38	70.40	70.27	70.29	↓ -0.15	17352	-29.54	34643	70.33

## Currency Spot (Asian Trading)

Particulars	Open	High	Low	LTP	% Change
EURUSD	1.2161	1.2170	1.2154	1.2158	↓ -0.02
EURGBP	0.8852	0.8857	0.8846	0.8855	↑ 0.05
EURJPY	126.02	126.15	125.90	126.06	↑ 0.05
GBPJPY	142.32	142.50	142.25	142.35	↑ 0.02
GBPUSD	1.3733	1.3752	1.3726	1.3729	↓ -0.04
USDJPY	103.62	103.72	103.56	103.68	↑ 0.05

## Economical Data

TIME	ZONE	DATA
12:30pm	EUR	German GfK Consumer Climate
Tentative	EUR	German 10-y Bond Auction
7:00pm	USD	Core Durable Goods Orders m/m
7:00pm	USD	Durable Goods Orders m/m
9:00pm	USD	Crude Oil Inventories

## Stock Indices

Index	Last	Change	Commodity	Last	Change
CAC40	5536.5	↓ -0.41	Gold\$	1844.8	↓ -0.31
DAX	13830.3	↓ -0.32	Silver\$	25.3	↓ -0.72
DJIA	30997.0	↓ -0.57	Crude\$	52.5	↓ -0.30
FTSE 100	7586.8	↓ -0.78	Copper \$	7967.5	↓ -0.34
HANG SENG	27777.8	↓ -1.31	Aluminium \$	2014.0	↓ -0.44
KOSPI	2029.5	↓ -0.23	Nickel\$	18050.0	↓ -0.22
NASDAQ	13543.1	↑ 0.09	Lead\$	2056.0	↓ -1.06
NIKKEI 225	21521.5	↓ -0.86	Zinc\$	2637.0	↓ -0.66

## Commodity Update

## FII/FPI trading activity on BSE, NSE in Capital Market Segment (In Rs. Cr)

Category	Date	Buy Value	Sell Value	Net Value
FII/FPI	25/01/2021	8,423.37	9,188.67	-765.30

## DII trading activity on BSE, NSE & MCX-SX in Capital Market Segment

Category	Date	Buy Value	Sell Value	Net Value
DII	25/01/2021	5,090.23	5,477.99	-387.76

## Spread

Currency	Spread
NSE-CUR USDINR JAN-FEB	0.27
NSE-CUR EURINR JAN-FEB	0.31
NSE-CUR GBPINR JAN-FEB	0.34
NSE-CUR JPYINR JAN-FEB	0.21

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## NSE-CUR USDINR Jan 2021



	Open	High	Low	Close
	72.99	73.01	72.91	72.94
Support and Resistance for the Day	Resit 1	Resit 2	Resit 3	
	73.00	73.06	73.11	
	Support 1	Support 2	Support 3	
	72.89	72.84	72.78	
Net Change	% Change	Open Interest	Volume	
-0.02	-0.03	2318005	1702208	

## Trading Ideas for the Day

- # USDINR trading range for the day is 72.84-73.06.
- # USDINR traded in tight range as optimism about U.S. President Joe Biden's stimulus plans took precedence over the impact of COVID-19.
- # Barring another wave of COVID-19 infections, the worst is over for India's economy and policymakers may soon have more room to support a recovery, RBI said.
- # The RBI expects Asia's third-largest economy to contract by 7.5% in the current fiscal year to March

## Market Snapshot

USDINR yesterday settled down by -0.03% at 72.94 traded in tight range as optimism about U.S. President Joe Biden's stimulus plans took precedence over the impact of COVID-19. Market sentiment had turned more cautious at the end of last week as European economic data showed that lockdown restrictions to limit the spread of the virus hurt business activity, dragging stocks lower. The U.S. Federal Reserve meets and Fed Chair Jerome Powell is expected to signal that he has no plans to wind back the Fed's massive stimulus any time soon – news which could push the dollar down further. Barring another wave of COVID-19 infections, the worst is over for India's economy and policymakers may soon have more room to support a recovery, the central bank said in its January bulletin released. "Recent shifts in the macroeconomic landscape have brightened the outlook, with GDP in striking distance of attaining positive territory and inflation easing closer to the target," the Reserve Bank of India (RBI) said in an article on the state of the economy. "If these movements sustain, policy space could open up to further support the recovery," it added. The RBI slashed interest rates early last year to cushion the shock from the coronavirus crisis, but has left rates unchanged in recent months, cautious of rising inflation. The Financial Benchmark India Private Ltd (FBIL) set the reference rate for the rupee/dollar at 72.9297 Technically market is under long liquidation as market has witnessed drop in open interest by -8.88% to settled at 2318005 while prices down -0.0225 rupees, now USDINR is getting support at 72.89 and below same could see a test of 72.84 levels, and resistance is now likely to be seen at 73, a move above could see prices testing 73.06.

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## NSE-CUR EURINR Jan 2021



	Open	High	Low	Close
	88.85	88.90	88.59	88.68
Support and Resistance for the Day	Resit 1	Resit 2	Resit 3	
	88.85	89.02	89.15	
	Support 1	Support 2	Support 3	
	88.55	88.42	88.25	
Net Change	% Change	Open Interest	Volume	
-0.17	-0.19	96071	172785	

## Trading Ideas for the Day

- # EURINR trading range for the day is 88.42-89.02.
- # Euro prices dropped after the relatively weak manufacturing and services PMI numbers from the Eurozone.
- # The European Union had a weak start of the year, according to the flash PMI data released by Markit.
- # The services PMI declined from 46.4 in December to 45.0 in January as more countries went into lockdown.

## Market Snapshot

EURINR yesterday settled down by -0.19% at 88.675 after the relatively weak manufacturing and services PMI numbers from the Eurozone. The European Union had a weak start of the year, according to the flash PMI data released by Markit. The services PMI declined from 46.4 in December to 45.0 in January as more countries went into lockdown. While this reading was better than the estimated 44.5, it was below the expansionary zone of 50. The PMI dropped to 46.5 in France and 46.8 in Germany. The manufacturing sector was not spared either. In total, the Eurozone manufacturing PMI dropped to 52.9 in January from 57.5 a month earlier. The median estimate by a panel for the PMI to come in at 54.5. In total, the composite PMI fell to 54.7. Notably, the weak numbers came were digesting the decision by the European Central Bank (ECB). The central bank left all its policy frameworks unchanged and expressed hope that the vaccine will lead to recovery. It left its main rate at -0.25% and pledged to continue with its 1.35 trillion euros quantitative easing policy. Meanwhile, early this week, Eurostat also released weak European consumer price index (CPI) data. The bloc's consumer prices rose by 0.3% in December, which is lower than the ECB's target. The Financial Benchmark India Private Ltd (FBIL) set the reference rate for the rupee/euro at 88.8187 Technically market is under long liquidation as market has witnessed drop in open interest by -25.06% to settled at 96071 while prices down -0.165 rupees, now EURINR is getting support at 88.55 and below same could see a test of 88.42 levels, and resistance is now likely to be seen at 88.85, a move above could see prices testing 89.02.

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## NSE-CUR GBPINR Jan 2021



	Open	High	Low	Close
	99.94	100.09	99.68	99.86
Support and Resistance for the Day		Resit 1	Resit 2	Resit 3
		100.07	100.28	100.48
		Support 1	Support 2	Support 3
	99.66	99.46	99.25	
Net Change	% Change	Open Interest	Volume	
	0.15	0.15	93142	272557

## Trading Ideas for the Day

- # GBPINR trading range for the day is 99.46-100.28.
- # GBP remained supported despite of weak economic numbers from the United Kingdom.
- # Pressure also seen following concerns over the escalating Covid-19 crisis and weak economic data.
- # BOE's Bailey said earlier that the British economy was able to mitigate the lockdown measures, compared to the damages of last year.

## Market Snapshot

GBPINR yesterday settled up by 0.15% at 99.855 despite relatively weak economic numbers from the United Kingdom. Pressure also seen following concerns over the escalating Covid-19 crisis and weak economic data. The Office of National Statistics (ONS) released weak retail sales numbers. In December, the overall volume of retail sales in the UK, increased by 0.3% from November. Subsequently, the sales rose by an annualised rate of 2.9%, which was lower than the median estimate of 4.0%. Meanwhile, public debt in the UK continued to rise as the government extended its pandemic response tools. In total, the public debt rose by £33.38 billion, higher than the expected £27.30 billion. The manufacturing sector expanded at a slower rate with the overall PMI falling from 57.5 to 52.9. Subsequently, the composite PMI fell to 52.9. Bank of England Chief Andrew Bailey said earlier that the British economy was able to mitigate the lockdown measures, compared to the damages of last year. Bailey stressed that the impact of the Covid-19 pandemic on the British economy have begun to recede and there are signs on that, adding that the economy is coping with the lockdown measures that Prime Minister Boris Johnson has imposed until mid-February. The Financial Benchmark India Private Ltd (FBIL) set the reference rate for the rupee/British pound was fixed at 100.0255 Technically market is under short covering as market has witnessed drop in open interest by -29.54% to settled at 93142 while prices up 0.145 rupees, now GBPINR is getting support at 99.66 and below same could see a test of 99.46 levels, and resistance is now likely to be seen at 100.07, a move above could see prices testing 100.28.

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## NSE-CUR JPYINR Jan 2021



	Open	High	Low	Close
	70.38	70.40	70.27	70.29
Support and Resistance for the Day	Resit 1	Resit 2	Resit 3	
	70.37	70.45	70.50	
	Support 1	Support 2	Support 3	
	70.24	70.19	70.11	
Net Change	% Change	Open Interest	Volume	
-0.10	-0.15	17352	34643	

## Trading Ideas for the Day

- # JPYINR trading range for the day is 70.19-70.45.
- # JPY dropped after the relatively weak economic numbers from Japan and the overall strength of the US dollar.
- # The Japanese economy is set for a double-dip recession because of the ongoing state of emergency aimed at curtailing the pandemic.
- # According to Markit, the country's manufacturing and services PMIs dropped to 49.7 and 45.7, respectively in January.

## Market Snapshot

JPYINR yesterday settled down by -0.15% at 70.2925 after the relatively weak economic numbers from Japan and the overall strength of the US dollar. The Japanese economy is set for a double-dip recession because of the ongoing state of emergency aimed at curtailing the pandemic. According to Markit, the country's manufacturing and services PMIs dropped to 49.7 and 45.7, respectively in January. The two were at 50 and 47.2 in December. In the statement, the survey attributed this weakness to the rising number of coronavirus cases and the measures the government has put in place. This month, the government extended its state of emergency measures to most of the prefectures. Therefore, the weakness implies that the recovery most economists were expecting will not happen. They also mean that the country's unemployment rate could continue rising. The headline consumer prices declined by 1.2% in December from the previous -0.9%. Similarly, the core CPI fell from -0.9% to -1.0%. These numbers are below the 2% Bank of Japan (BOJ). The weak inflation and CPI data came a day after the BOJ delivered its interest rate decision. The bank left its interest rate, quantitative easing, and yield-curve control program unchanged. It also lowered this year's economic forecast because of the new wave of the virus. The Financial Benchmark India Private Ltd (FBIL) set the reference rate for the rupee/100 Japanese yen at 70.32. Technically market is under long liquidation as market has witnessed drop in open interest by -29.54% to settled at 17352 while prices down -0.1025 rupees, now JPYINR is getting support at 70.24 and below same could see a test of 70.19 levels, and resistance is now likely to be seen at 70.37, a move above could see prices testing 70.45.

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## NEWS YOU CAN USE

# The Bank of England said the aim of its banking stress test this year is to check if banks can continue helping the economy during the pandemic and if a return to more normal levels of dividends is possible. The British central bank cancelled its annual health check of banks last year so they could focus on keeping credit flowing to an economy hit by its worst downturn in 300 years due to COVID-19 lockdowns. Stress tests focus on the ability of banks to face major theoretical shocks, but the focus now changes given the economy has entered a real stress with COVID-19, the BoE said. "At this point stress tests are used to assess whether the buffers of capital that banks have built up are large enough to deal with how the prevailing stress could unfold," the BoE said in a statement. The BoE said this year's test of leading banks will be conducted in a "staggered" way, with banks submitting their initial projections in April on coping with a range of market shocks without going below minimum capital levels. The BoE will then analyse the data and publish aggregate results in the summer, with the usual bank-by-bank outcomes made public in the fourth quarter. After the economy went into its first lockdown in March last year, the BoE told banks to suspend dividend payments to preserve capital. In December, the central bank set out "guardrails" for relaxing its curbs on bank dividends.

# Barring another wave of COVID-19 infections, the worst is over for India's economy and policymakers may soon have more room to support a recovery, the central bank said in its January bulletin released. "Recent shifts in the macroeconomic landscape have brightened the outlook, with GDP in striking distance of attaining positive territory and inflation easing closer to the target," the Reserve Bank of India (RBI) said in an article on the state of the economy. "If these movements sustain, policy space could open up to further support the recovery," it added. The RBI slashed interest rates early last year to cushion the shock from the coronavirus crisis, but has left rates unchanged in recent months, cautious of rising inflation. The RBI expects Asia's third-largest economy to contract by 7.5% in the current fiscal year to March, but analysts believe it is likely to escape recession and see modest growth in the current quarter. Growth will be mostly consumption driven, the RBI said. The need to kickstart investment is growing more urgent to secure a durable turnaround and a sustainable growth trajectory, the RBI said. The RBI said stress on financial sector balance sheets could increase, but banks are in a better position now than they were during the 2008 global financial crisis.

# The UK budget deficit surged to the third highest level on record in December as the government stepped up measures to support households and businesses amid the pandemic, official data revealed. Public sector net borrowing, excluding public sector banks, totaled GBP 34.1 billion in December, which was GBP 28.2 billion more than in the same period last year, the Office for National Statistics reported. This was both the highest December borrowing and the third-highest borrowing in any month since monthly records began in 1993. Government incurred GBP 10 billion additional expenditure on coronavirus job support schemes. Altogether, government spent GBP 86.2 billion on day-to-day activities in December. Meanwhile, central government tax receipts fell GBP 1.4 billion to GBP 43.6 billion in December. December's jump in borrowing is likely to set the tone for the next few months as the third Covid-19 lockdown keeps many businesses closed and will only increase talk of how to pay for the crisis, Thomas Pugh, an economist at Capital Economics, said. However, the economist said Chancellor Rishi Sunak should resist the urge to try to reduce the budget deficit at the next Budget on March 3, and instead focus on continuing to support those areas of the economy that need it.

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