

HDFC securities Retail Research Currency Insights Weekly

14 June 2021



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Currency Movements

Currency	11-Jun-21	04-Jun-21	Chg.	% Chg
DXY Index	90.555	90.136	0.419	0.46%
EURUSD	1.211	1.217	-0.006	-0.48%
GBPUSD	1.411	1.416	-0.005	-0.35%
USDJPY	109.66	109.52	0.140	0.13%
USDINR	73.076	73.000	0.076	0.10%
EURINR	88.818	88.445	0.373	0.42%
GBPINR	103.388	103.131	0.258	0.25%
JPYINR	66.730	66.290	0.440	0.66%
1M USDINR NDF	73.470	73.160	0.310	0.42%

RBI Reference Rate

Currency	11-Jun-21	04-Jun-21	Chg.	% Chg
USDINR	72.9844	73.0266	-0.0422	-0.06%
EURINR	88.9831	88.4459	0.5372	0.61%
GBPINR	103.5079	102.9636	0.5443	0.53%
JPYINR	66.7000	66.2500	0.4500	0.68%

India 10 Year G-Sec.

Instrument	11-Jun-21	04-Jun-21	Chg.
GS2030	6.0080	6.0290	-0.0210

Dollar Bids Ahead of June FOMC

- » Indian Rupee consolidated throughout the week with lower volume and volatility in absence of fresh triggers. Continuation of foreign fund inflows and decline in virus cases well supported the domestic equities which is trading near all-time high while rebound in dollar index weighed on rupee. There are three IPO's line-up this week which means more inflows to come that may add strength in rupee. Rupee expected to come out of 72.70 to 73.30 range in coming weeks and we could see a clear trendy market once the central bank's (FOMC & BoJ) policy decision clears.
- » In the week gone, spot USDINR gained for the second week in row by adding one tenth of percentage points to 73.08 level. We feel the pair may trade in tight range of 72.70 to 73.30 until strong trigger comes which might be the US Fed policy decision.
- » India's foreign exchange reserves rose to \$605 billion for the week ended June 4, from \$598 billion the week before. In absolute terms, India has the fifth largest pool of forex reserves.
- » From the data basket, India's CPI likely to rise further above central bank's target level in May, lifted by stronger core inflation and food and fuel inflations. This won't make hawkish response to RBI as it still remains below upper band and better monsoon will help in lowering food inflation.
- » Despite higher-than-expected US CPI, in the week gone the forex market seemed to finally throw in the towel and accepted the Fed's vision of transitory inflation. The greenback's advance comes by earmarking usual short covering and the expiry of large positions ahead of this week's FOMC meeting. A rise in US Treasury yields also helped the dollar to rally in Friday. Dollar Index is up 0.53%, most since June 3, and headed for first close above its 20-day Bollinger upper band since March 8. The abnormally low level of the band-width ahead of Friday's session suggests realized volatility may turn higher.
- » **CFTC:** In FX, the most notable flows were on crosses, with selling of AUD (7.5k) and buying of yen (9.8k). Specs also bought sterling (3.6k) while selling CAD (3.5k) and EUR (2.1k). The aggregate dollar position was little changed. The overall dollar short rose by \$176mn (a fifth of last week's \$955mn increase) to total \$17.9bn.

USDINR June Futures Daily Chart



Technical Observations:

- USDINR June futures formed inside bars on daily chart and resisted at 73.24, the 21 DEMA. Once the level of 73.24 crosses it can head towards 73.74, the 100 days simple moving average.
- The price and volume action remains listless in last five days.
- Momentum oscillator, Relative strength index of 14 days period heading northward but remains in below 50 level suggesting consolidation.
- The above technical evidences do not give any clear trend indication.
- We remain neutral in USDINR June futures and wait for range breakout of 73.25 and 72.70.

EURINR June Futures Daily Chart



Technical Observations:

- EURINR June futures closed at 50 days simple moving average support. However, the pair is broadly trading in the range of 88.50 to 90 since last one month, without any clear trend.
- Momentum oscillator, RSI of 14 days period placed below 50 level with negative cross over.
- Momentum indicator, ADX also flatten and weaken on daily chart.
- Looking at the above technical evidences, we remain neutral to bullish in EURINR June futures in short term while medium term trend remains bullish.
- Swing trading can use the band of 88.50 to 90 for trading by keeping small stop loss above price band.

GBPINR June Futures Daily Chart



Technical Observations:

- GBPINR June futures has been forming lower high and higher highs.
- The pair has been swinging near short term moving averages indicating near term consolidation.
- It has been holding support of 100 days simple moving average.
- Momentum oscillators and indicators placed above breakeven line indicating consolidation in bullish trend.
- GBPINR June futures expected to trade in the range of 104.25 to 102.46 range with bias remaining bullish till it holds the support of 102.46.

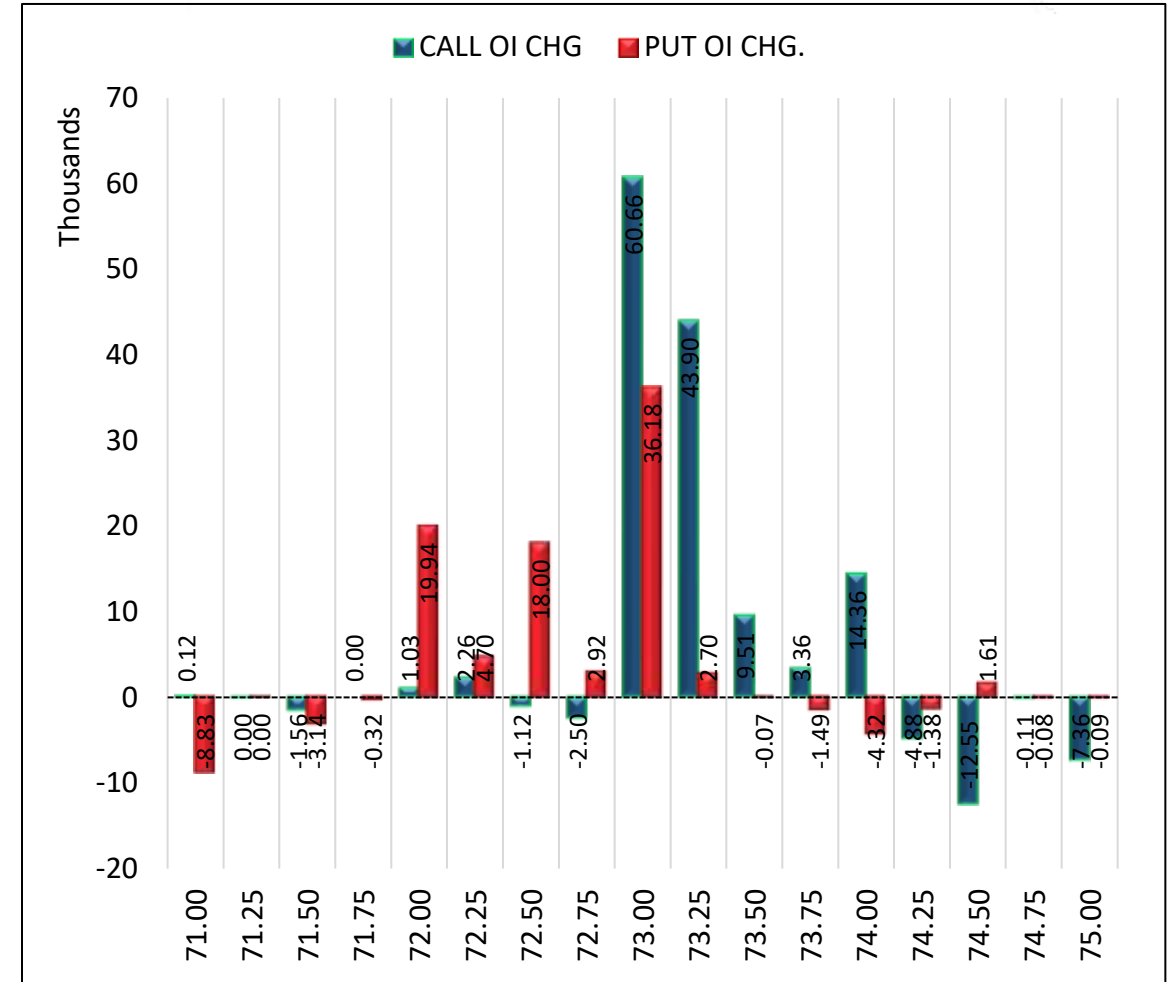
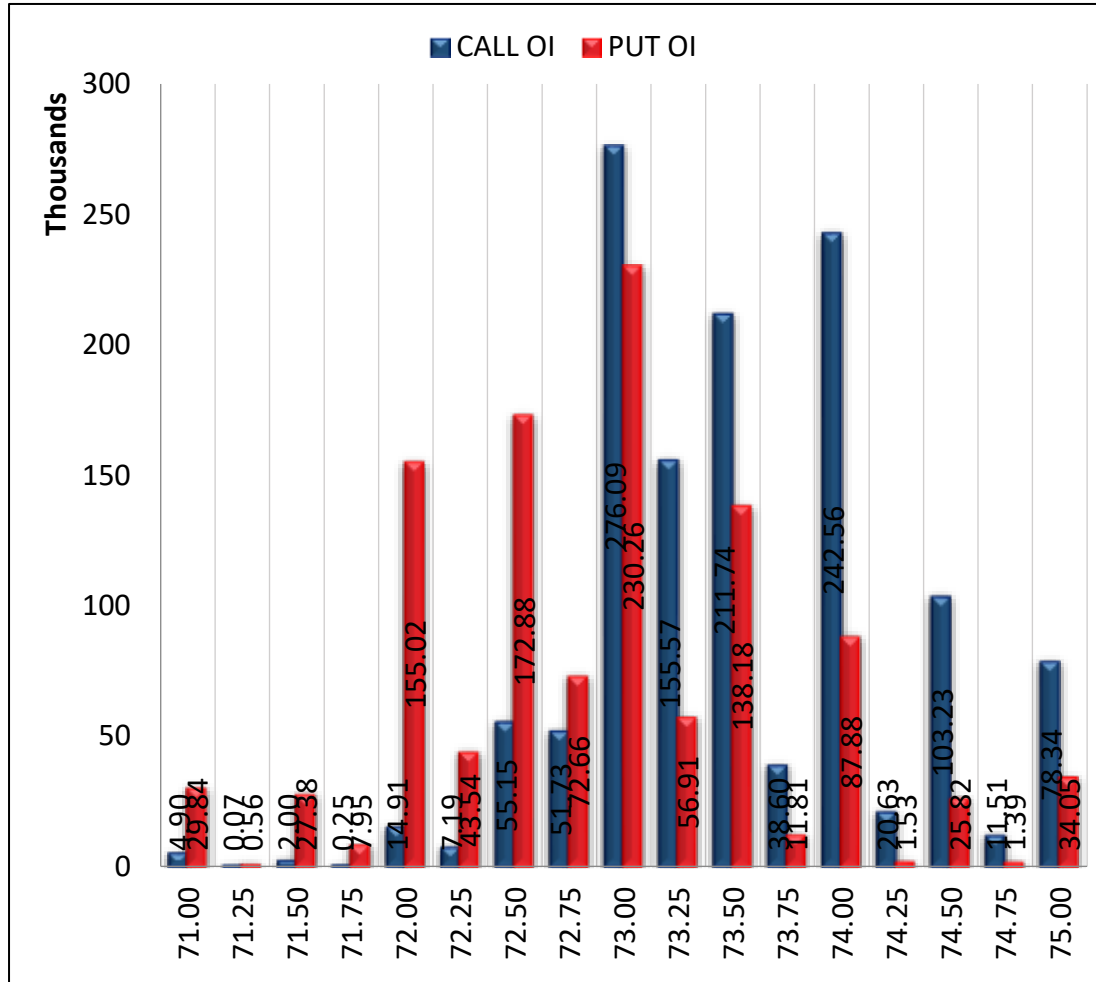
JPYINR June Futures Daily Chart



Technical Observations:

- JPYINR June futures formed weekly doji candlestick pattern indicating indecisiveness.
- The pair has been trading well below short term moving averages with short period average placed below medium term period average suggesting continuation of weaker trend.
- Momentum oscillator, relative strength index of 14 days placed at 44 odd level and heading northward indicating continuation of weaker momentum.
- We remain neutral in JPYINR June futures and once the level of 66 breaches it starts moving towards 65, 200 weeks moving average. The pair is expected to face resistance at 67.55, 50 days simple moving average.

USDINR June Option Distribution (Weekly Change)



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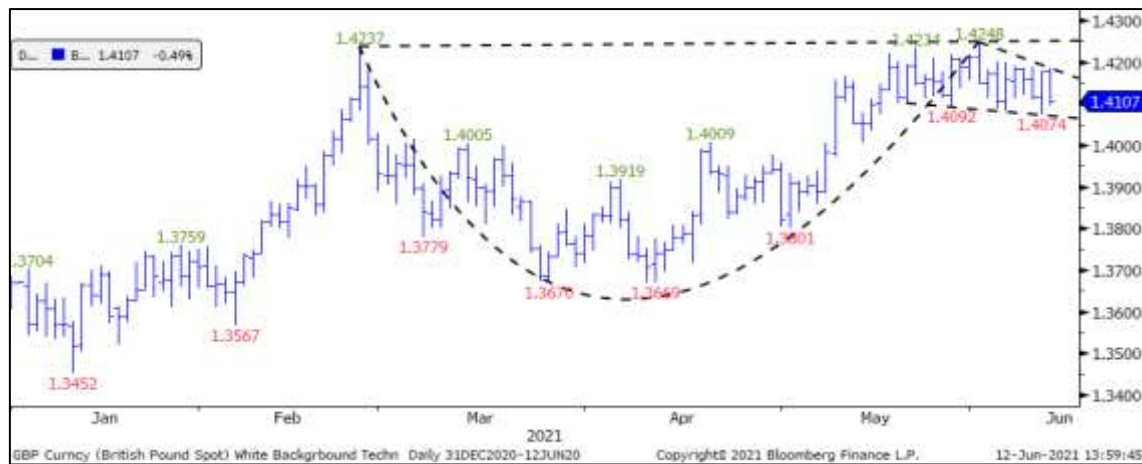
Dollar Index Daily Chart



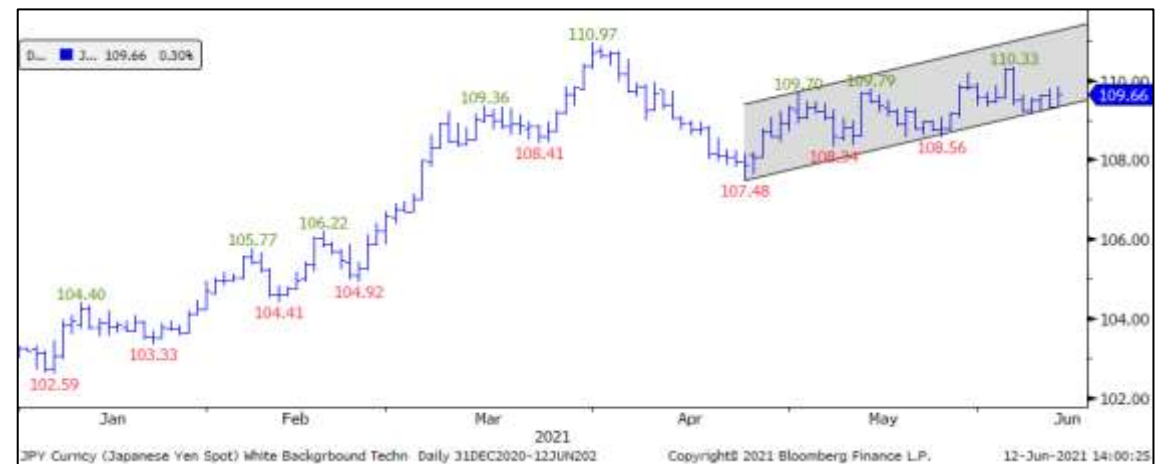
EURUSD Daily Chart



GBPUSD Daily Chart



USDJPY Daily Chart



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 Jun21	73.2550	72.9000	73.1925	0.0125	0.02%	2393308	-81497	-3%	1407146	-770843	-35%
NSE EURINR Future Jun21	89.1775	88.6450	88.9125	0.2475	0.28%	101249	2817	3%	144413	-14164	-9%
NSE GBPINR Future Jun21	103.7000	102.9725	103.6150	0.2900	0.28%	145044	11183	8%	291103	28659	11%
NSE JPYINR Future Jun21	66.9100	66.5800	66.8575	0.3975	0.60%	28007	-6800	-20%	24219	-14178	-37%
NSE EURUSD Future Jun21	1.2193	1.2143	1.2148	0.0032	0.26%	2636	11	0%	1650	-1692	-51%
NSE GBPUSD Future Jun21	1.4183	1.4075	1.4155	0.0038	0.27%	2944	310	12%	2122	-1430	-40%
NSE USDJPY Future Jun21	109.6700	109.3400	109.56	-0.56	-0.51%	110	-46	-29%	6	-85	-93%

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 Jun21	73.47	73.33	73.12	72.98	72.76	73.15	73.38	73.82	73.83	72.68	41.72
NSE EURINR Future Jun21	89.44	89.18	88.91	88.65	88.38	89.03	89.24	89.41	90.04	88.50	43.34
NSE GBPINR Future Jun21	104.16	103.89	103.43	103.16	102.70	103.45	103.56	103.45	104.31	102.93	50.52
NSE JPYINR Future Jun21	67.11	66.99	66.78	66.66	66.45	66.80	67.10	67.83	67.81	66.17	41.12
NSE EURUSD Future Jun21	1.2211	1.2180	1.2161	1.2130	1.2111	1.2169	1.2161	1.2117	1.2251	1.2117	49.74
NSE GBPUSD Future Jun21	1.4246	1.4200	1.4138	1.4092	1.4030	1.4142	1.4116	1.4024	1.4211	1.4080	55.60
NSE USDJPY Future Jun21	109.85	109.71	109.52	109.38	109.19	109.52	109.37	108.86	110.09	108.65	54.69

Economic Calendar : June 2021



Monday	Tuesday	Wednesday	Thursday	Friday
14 June	15 June	16 June	17 June	18 June
China: Dragon Boat Holiday Japan, EU : IIP, India: WPI, CPI	UK: ILO unemployment India, EU: Trade Balance	Japan: Trade Balance China: IIP, Retail Sales; UK: CPI US: MBA Mortgage, Building Permit, Housing Starts, FOMC Rate Decision	EU: CPI US: Initial & Continuing Claim	Japan: Natl CPI, Japan: BoJ Policy EU: ECB Current Account
21 June	22 June	23 June	24 June	25 June
China: 1 & 5 Yr. LPR	EU: Consumer Confidence US: Existing Home sales	US: CA, New Home Sales,	EU: ECB Economic Bulletin UK: BoE Rate Policy US: Durable Goods, Initial & Continuing Claim, GDP, Core PCE	US: Personal Income & Spending China: BoP Current Account
28 June	29 June	30 June		
UK: Natl House Price	EU: Consumer Confidence	Japan: IIP ; China: Mfg. Service & Composite PMI; US: ADP Employment Change UK: GDP, Current Account, EU: CPI, India: Fiscal Balance, Eight Core Infra, BoP Current Account		

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