

HDFC securities Retail Research Currency Insights Weekly

10 May 2021



Analyst:
Dilip Parmar
dilip.parmar@hdfcsec.com



Currency Movements

Currency	07-May-21	30-Apr-21	Chg.	% Chg
DXY Index	90.233	91.280	-1.047	-1.15%
EURUSD	1.217	1.202	0.015	1.21%
GBPUSD	1.398	1.382	0.016	1.17%
USDJPY	108.60	109.31	-0.710	-0.65%
USDINR	73.511	74.088	-0.576	-0.78%
EURINR	88.783	89.600	-0.817	-0.91%
GBPINR	102.317	103.023	-0.706	-0.69%
JPYINR	0.674	0.681	-0.007	-1.06%
1M USDINR NDF	73.640	74.530	-0.890	-1.19%

RBI Reference Rate

Currency	07-May-21	30-Apr-21	Chg.	% Chg
USDINR	73.7443	74.0232	-0.2789	-0.38%
EURINR	88.8997	89.6905	-0.7908	-0.88%
GBPINR	102.5075	103.1592	-0.6517	-0.63%
JPYINR	67.5500	68.0200	-0.4700	-0.69%

India 10 Year G-Sec.

Instrument	07-May-21	30-Apr-21	Chg.
GS2030	6.0160	6.0300	-0.0140

Dollar Index setting up for another leg lower

- » Indian rupee registered second weekly gains amid weaker dollar and rebound in riskier assets. In the week gone, we have seen big gap between spot and forwards USDINR. Near month forwards premium reached to its highest level in more than two decades as massive dollar inflows towards an initial public offering skewed prices. But by the end of the week the premium were narrowed on natural price discovery.
- » Spot USDINR closed at 73.51, the weakest level since March 07, fell by 58 paise or 0.78%. Technical set-up turned bearish as the pair closed below short and medium term moving averages along with weaker momentum. The pair has support at 73.05 and resistance in the range of 74 to 74.20.
- » In a holiday truncated week with a slew of economic data domestically as well as internationally, market expected to trade volatile. On Wednesday, government will release inflation, industrial production and trade balance data which will direct the rupee trend.
- » India's forex reserves show fourth week of gains for the week ending April 30. Forex reserves registered a growth of \$3.913 billion to reach \$588.02 billion during the week ended April 30, as per the latest RBI data.
- » Risk assets rallied after US job reports on Friday. Markets were upset by a disappointing jobs report, with payrolls up only 266,000 in April compared with a projected one million. The underwhelming figures may give a boost to President Joe Biden's \$6 trillion economic agenda and add legitimacy to the Fed's belief there's a long way to go to full employment. Meanwhile, the dollar, which historically strengthens in May, hasn't gotten its seasonality bump, at least not yet. ICE dollar index, basket of six currencies, fell 1.15% to 90.23 level.
- » **QE Progress:** US Reserve Bank Credit declined by \$17.5 billion from a week ago, leaving interest bearing assets at the Fed at \$7.75 trillion. That's up 23.1% on an annualized three-month basis, 19.6% year-over-year
- » **CFTC Data:** The flows were mixed, though of reasonable size. Specs bought euros (3.8k), yen (7k), CAD (10k), AUD (2.9k) and kiwi (1.6k), while selling sterling (9.4k) and a bit of MXN. The aggregate dollar short rose by about \$1.6 billion during the week.

USDINR May Futures Daily Chart



Technical Observations:

- USDINR May futures retraced 50% Fibonacci retracement level and 50 days simple moving average support to closed at 73.66.
- The pair marked second weekly gains eroded previous months gains to close at one month high.
- Momentum oscillator, relative strength index of 14 days period headed southward indicating continuation of down trend.
- MACD also moving towards zero line with negative cross over suggesting weaker trend.
- We believe recent downward momentum in USDINR May futures might continue in coming week with downside support at 73.05 and resistance shifted to 74 odd levels.

EURINR May Futures Daily Chart



Technical Observations:

- EURINR May Futures closed below 20 days simple moving average and has support at 88.70.
- Momentum oscillator, relative strength index remains above 50 but the momentum weakened in the week gone with pair witnessing profit booking throughout the week.
- MACD also given negative cross over and heading towards zero line suggesting weak trend.
- Looking at the overall chart pattern formation, short term trend remains weak but medium term uptrend remains intact unless it breaks the level of 88 level.
- We expect EURINR May futures expected to rebound in coming days with higher side resistance at 90 and support at 88.

GBPINR May Futures Daily Chart



Technical Observations:

- GBPINR May futures has 50 days simple moving average support at 102.21.
- Formation of higher top higher bottom suggesting continuation of up trend.
- Momentum oscillator, relative strength index of 14 days period placed below 50 indicating slower/weaker momentum.
- MACD with histogram suggesting weaker trend.
- We expect recent price correction is a profit booking in overall up trend.
- GBPINR May future expected to hold support around 102 level and find resistance at 103.45.

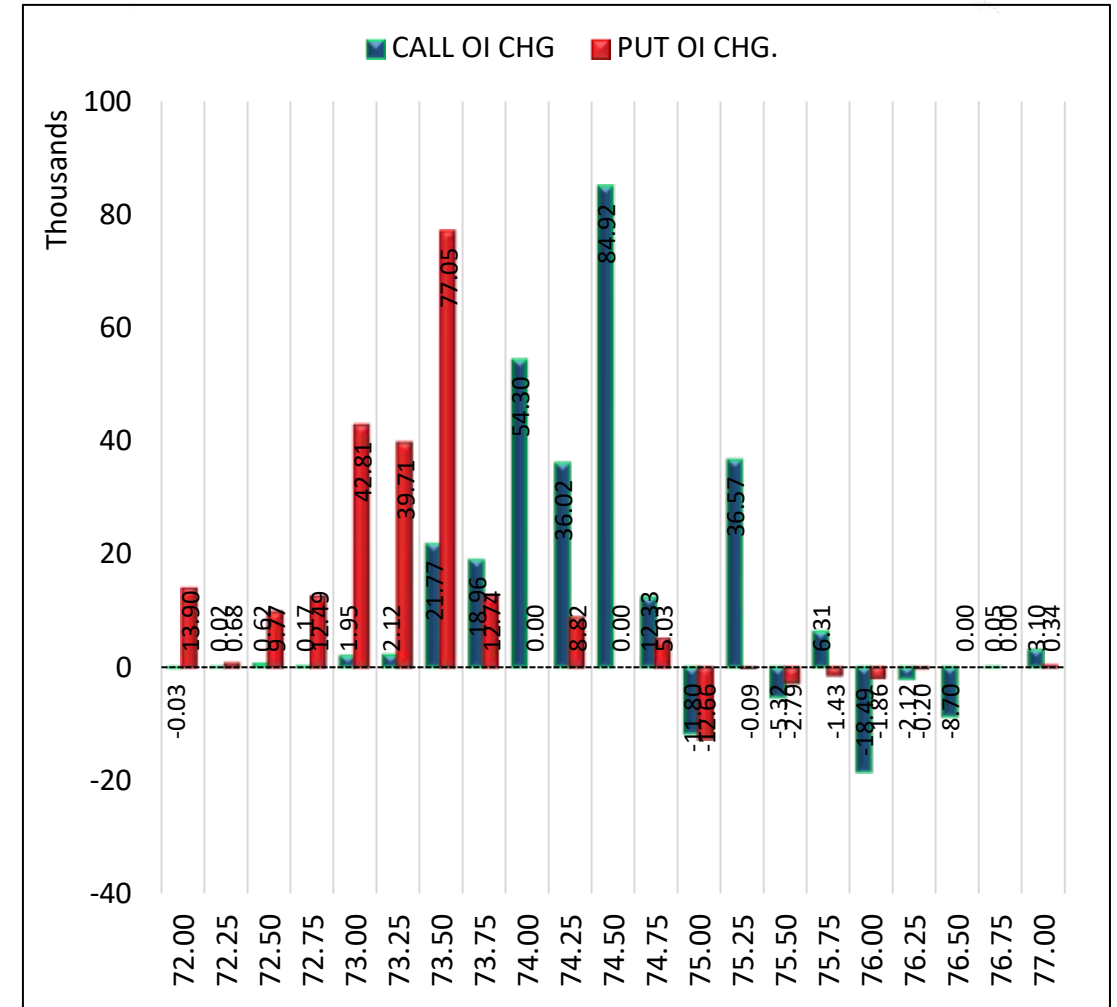
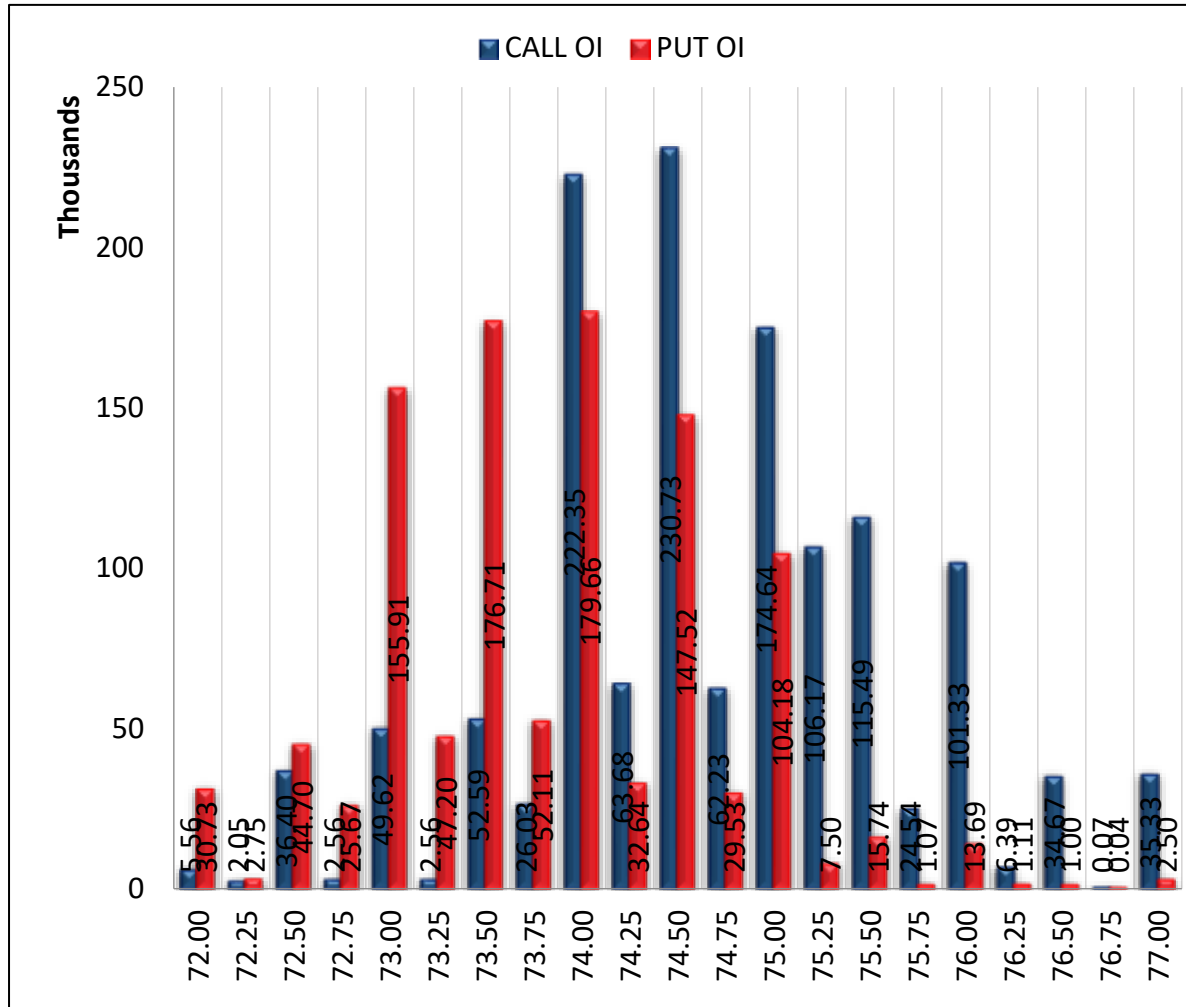
JPYINR May Futures Daily Chart



Technical Observations:

- JPYINR May futures turned weak on daily chart as short term moving average crossed medium term moving average downward.
- The pair has broken the 20 and 50 days simple moving average support.
- Momentum oscillators and indicators also turned weak on daily and weekly chart.
- From the level front, JPYINR May futures has resistance in the range of 69.85 to 69 and support at 67.10 followed by 66.25.
- Above technical evidences indicating continuation of down trend in JPYINR May futures and breaking of 67 odd level opens for 66.25 while trading above 69.20 negate the said view.

USDINR May Option Distribution



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 USDINR Future May21	74.6850	73.6450	73.6625	-0.7275	-0.98%	2648685	-104200	-4%	2147471	-286126	-12%
NSE EURINR Future May21	89.8575	88.9650	88.9925	-0.9200	-1.02%	113954	-12797	-10%	140283	8261	6%
NSE GBPINR Future May21	103.3500	102.4600	102.4900	-1.0150	-0.98%	146825	-15782	-10%	238383	-63427	-21%
NSE JPYINR Future May21	68.1650	67.4925	67.5125	-0.8625	-1.26%	16553	583	4%	26124	-3328	-11%
NSE EURUSD Future May21	1.2092	1.1992	1.2079	-0.0006	-0.05%	2408	255	12%	1064	754	243%
NSE GBPUSD Future May21	1.3940	1.3807	1.3911	0.0005	0.04%	1842	531	41%	684	-160	-19%
NSE USDJPY Future May21	109.57	108.97	109.14	0.38	0.35%	112	-96	-46%	20	-13	-39%

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 May21	75.04	74.35	74.00	73.31	72.96	74.22	74.42	74.33	75.85	73.75	36.02
NSE EURINR Future May21	90.16	89.58	89.27	88.69	88.38	89.47	89.44	89.24	91.24	88.55	45.01
NSE GBPINR Future May21	103.66	103.07	102.77	102.18	101.88	103.16	103.24	102.77	105.12	102.20	43.39
NSE JPYINR Future May21	68.40	67.95	67.72	67.28	67.05	68.07	68.35	68.76	70.13	67.29	37.50
NSE EURUSD Future May21	1.2154	1.2117	1.2054	1.2017	1.1954	1.2055	1.2024	1.2015	1.2164	1.1887	57.88
NSE GBPUSD Future May21	1.4019	1.3965	1.3886	1.3832	1.3753	1.3897	1.3877	1.3838	1.3998	1.3730	54.26
NSE USDJPY Future May21	109.83	109.48	109.23	108.88	108.63	109.04	108.88	108.14	109.96	107.72	55.25

Economic Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
10 May	11 May	12 May	13 May	14 May
	China: CPI	UK: GDP, IIP, Trade Balance EU: IIP, US: MBA Mortgage, CPI India: CPI, IIP, Trade Balance	Japan: BoP Balance China: 1yr lending rate US: Initial & Continuing Claims	India : Id-ul-fitr Holiday India: WPI US: IIP, Capacity Utilisation
17 May	18 May	19 May	20 May	21 May
China: IIP US: Empire Mfg.	Japan: GDP EU: Trade Balance, GDP US: Building Permit, Housing starts	Japan: IIP UK, EU: CPI US: MBA Mortgage, FOMC Minutes	Japan: Trade Balance China: 1 & 5yr Lending Rate ECB Current Account US: Initial & Continuing Claims	Japan: Natl CPI US: Exiting Home Sales
24 May	25 May	26 May	27 May	28 May
US: Chicago Fed. Activity	US: New Home Sales	India: Buddha Purnima Holiday US: MBA Mortgage	China: Industrial Profit US: Initial & Continuing Claims, Durable Goods, GDP, Core PCE	EU : Consumer Confidence US: Personal Income& Spending, Uni. Of Mich. sentiment
31 May				
China: Official PMI India: Fiscal Deficit, GDP, Eight Core Infra,				

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.

