

HDFC securities Retail Research Currency Insights Weekly

24 May 2021



Analyst:
Dilip Parmar
dilip.parmar@hdfcsec.com



Currency Movements

Currency	21-May-21	14-May-21	Chg.	% Chg
DXY Index	90.017	90.321	-0.304	-0.34%
EURUSD	1.218	1.214	0.004	0.34%
GBPUSD	1.415	1.410	0.005	0.38%
USDJPY	108.96	109.35	-0.390	-0.36%
USDINR	72.839	73.294	-0.455	-0.62%
EURINR	89.062	88.742	0.320	0.36%
GBPINR	103.531	103.051	0.481	0.47%
JPYINR	0.670	0.670	0.000	0.00%
1M USDINR NDF	73.300	73.660	-0.360	-0.49%

RBI Reference Rate

Currency	21-May-21	14-May-21	Chg.	% Chg
USDINR	73.0233	73.3721	-0.3488	-0.48%
EURINR	89.3075	88.7568	0.5507	0.62%
GBPINR	103.6103	103.0467	0.5636	0.55%
JPYINR	67.1400	67.0100	0.1300	0.19%

India 10 Year G-Sec.

Instrument	21-May-21	14-May-21	Chg.
GS2030	5.9770	5.9860	-0.0090

Rupee gains on foreign inflows and weaker dollar index

- » Indian rupee advanced for a fourth straight week on the back of rising foreign fund inflows, decline in virus cases, risk-on sentiments and a weaker dollar index. Rupee gained 46 paise or 0.62% to 72.84 a dollar. In the week gone, foreign institutions have bought \$349 million equities and \$47 million debt. Forex market is pricing in for better dollar inflows in coming days following MSCI & FTSE rebalancing along with series of IPO scheduled next month. At the same time, central bank may let rupee to appreciate to offset the rising costs of commodity imports.
- » Spot USDINR expected to trade with bearish bias and heads toward downside gap support at 72.77 and 72.37 while resist at 73.37, the 100 days simple moving average.
- » India's foreign exchange reserves inches toward life high by gaining six weeks in row. The forex reserves rose by \$563 million to reach \$590.028 billion in the week ended May 14, as per RBI weekly statistics. The reserves had touched a lifetime high of \$590.185 billion in the week ended January 29, 2021.
- » Dollar recovers on Friday as output at U.S. manufacturers and service providers set a record in May, reflecting strength in the economic recovery but on weekly basis closed in negative and is less than 1% away from the lows of the year.
- » In a quiet week for events, forex markets will eye on developed nations central bank's tapering timelines and stimulus package. Central bank policy divergence will remain a dominating market theme as traders analyse through guidance and bet on the timing of both tapering and G-10 rate hikes, which will likely to direct the trend of currencies.
- » **CFTC Data:** In FX, the major flow was buying of CAD (7.5k) and selling of JPY (9.2k). Flows elsewhere were mixed, with buying of euros (6k), but sales of sterling (3.3k) and CHF (1.4k). The overall dollar position was little changed on the week
- » The US **Fed's balance sheet** has reached \$7.88 trillion, up a chunky \$91 billion from last week's reading or roughly 36% of GDP. At the current pace of purchases, the size of the balance sheet is poised to increase toward \$9 trillion by the end of 2021, up from \$7.4 trillion at the end of 2020

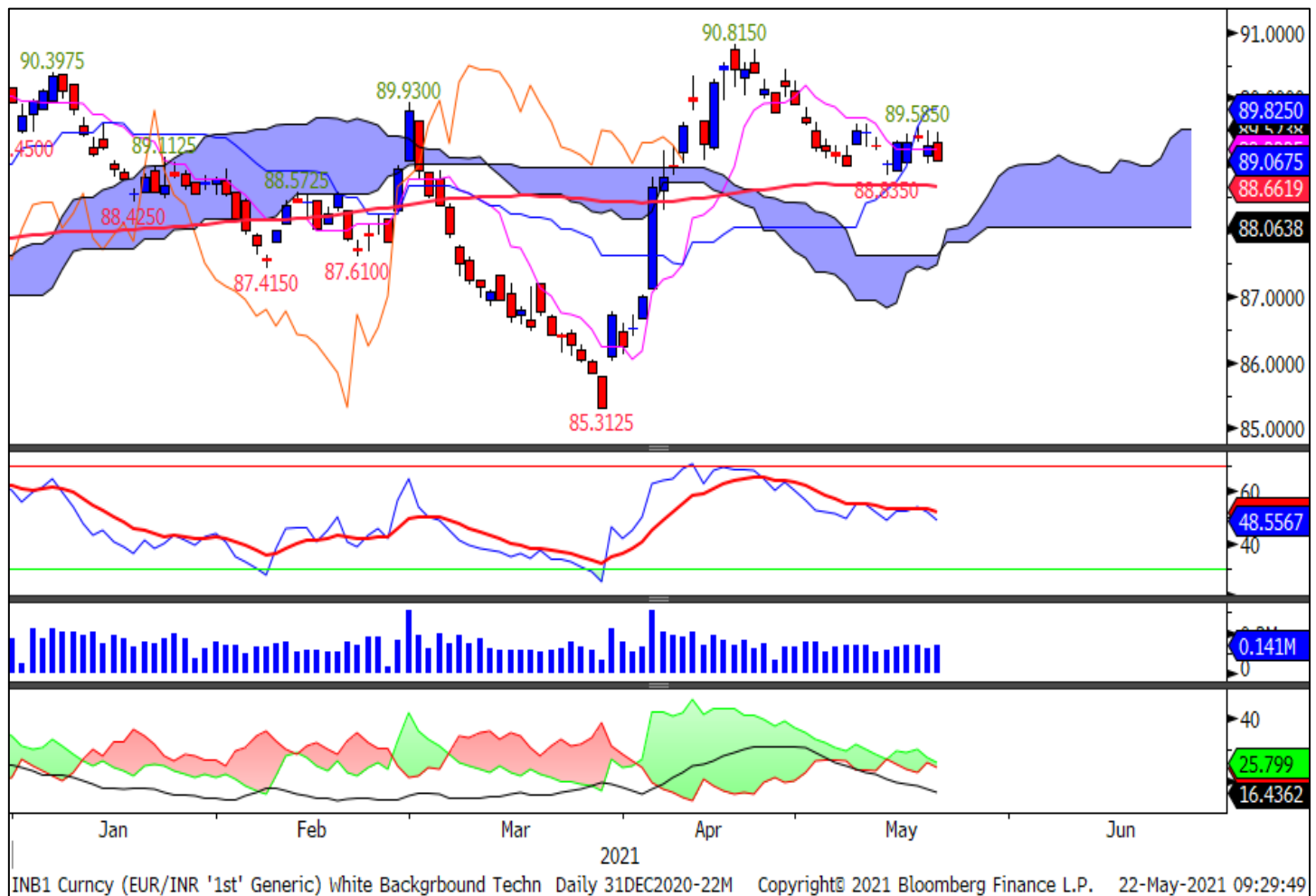
USDINR May Futures Daily Chart



Technical Observations:

- USDINR May futures drifted lower for the fourth week in row and retraced more than 80% from high of 75.50.
- The pair also closed well below long term moving averages and with volume supporting bears.
- Ichimoku study also indicating down trend as we have seen death cross over and lagging span also swing downward. The pair has cloud resistance at 73.72.
- Momentum oscillator, RSI of 14 days period entered in oversold zone suggesting continuation of down trend.
- USDINR May futures expected to trade with negative bias with downside support at 72.36 followed by 72.30 while resist in the range of 73.30 to 73.73.

EURINR May Futures Daily Chart



Technical Observations:

- »» EURINR May futures trading well above medium term moving averages.
- »» Leading span A crossed Leading Span B upward suggesting fresh long position with support at 88.06 level.
- »» The pair has been consolidated in the range of 88.80 to 89.60 since start of the month. Short term traders should wait for said range break out.
- »» Momentum oscillators and indicators on placed near breakeven line indicating consolidation.
- »» We remain neutral in near term while overall trend remains up till it holds the level of 88. Bulls will take charge above 89.60 and pull pair towards 90.80.

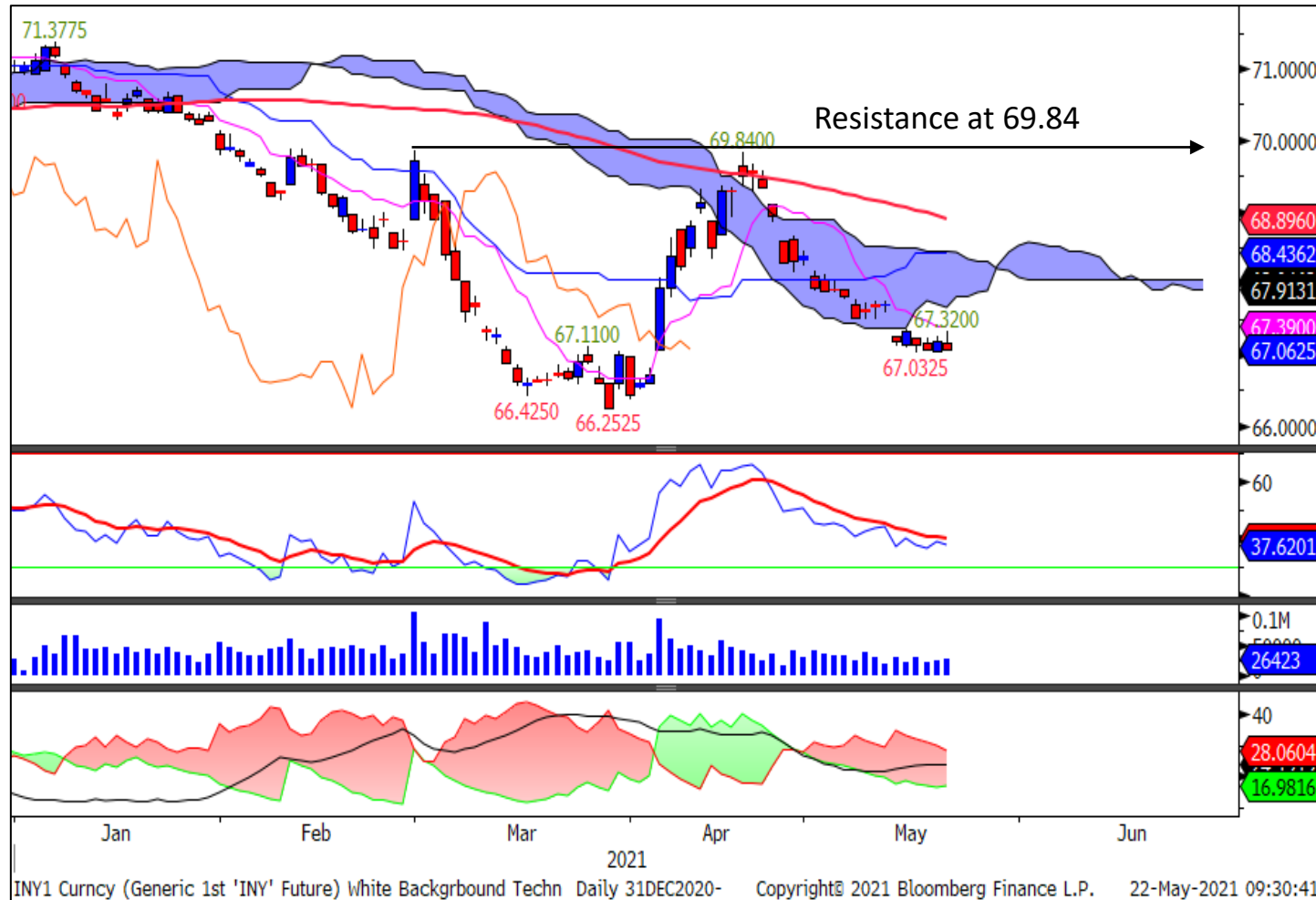
GBPINR May Futures Daily Chart



Technical Observations:

- GBPINR May futures sustaining above short term moving averages. The pair has been trading with higher top higher bottom on daily chart.
- It has been consolidating in small range of 103.50 to 104.25 range since last two weeks.
- Momentum oscillators and indicators placed above breakeven line indicating continuation of consolidation in bullish trend.
- We remain optimistic expect GBPINR May future can head towards 105 level once it cross 104.25 level. The bullish view will be negated only below 101.40, the 100 days simple moving average line and Ichimoku cloud support.

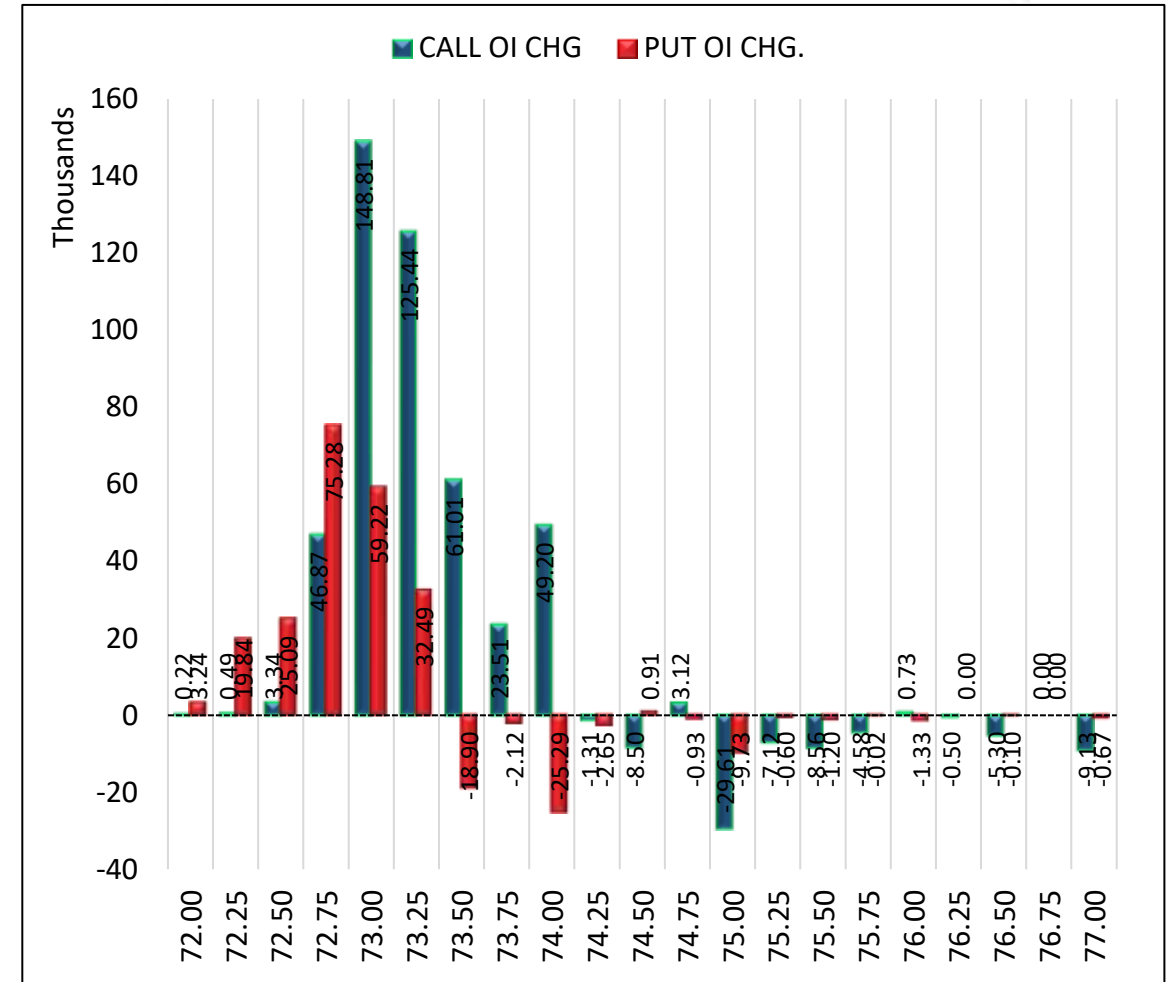
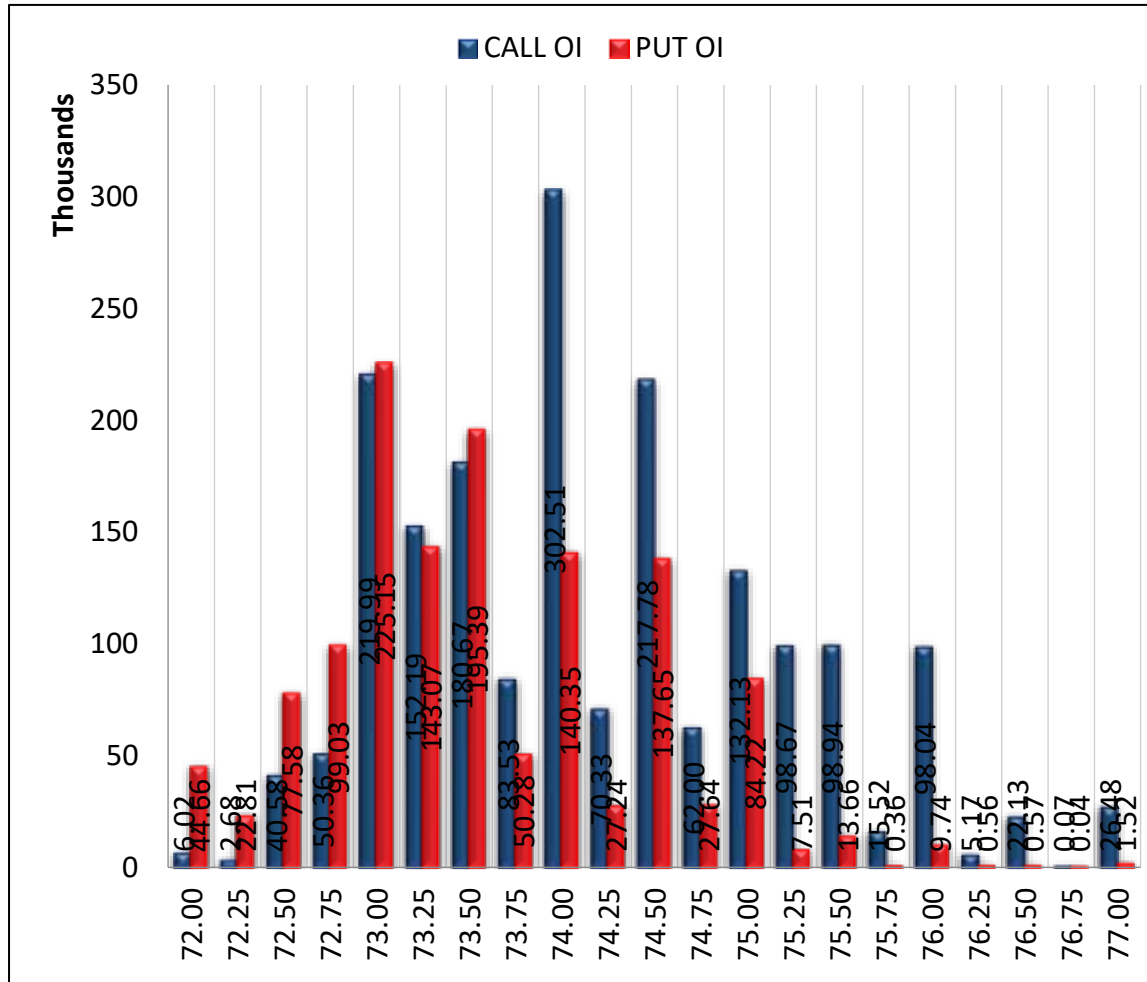
JPYINR May Futures Daily Chart



Technical Observations:

- » JPYINR May futures retraced from 100 days simple moving averages and placed below short term moving averages indicating near term weakness.
- » The pair has double top resistance at 69.84 while 100 days simple moving average placed at 68.90 level while support at 67 level the gap formed on April 7.
- » Momentum oscillator, relative strength index of 14 days placed below center line and heading southward indicating continuation of down trend.
- » We remain bearish in JPYINR May futures and once the level of 67 breaches it starts moving toward March low of 66.25. The pair is expected to face resistance at 67.70, 50 days simple moving average.

USDINR May Option Distribution



HDFC securities Retail Research: Currency Insights Weekly

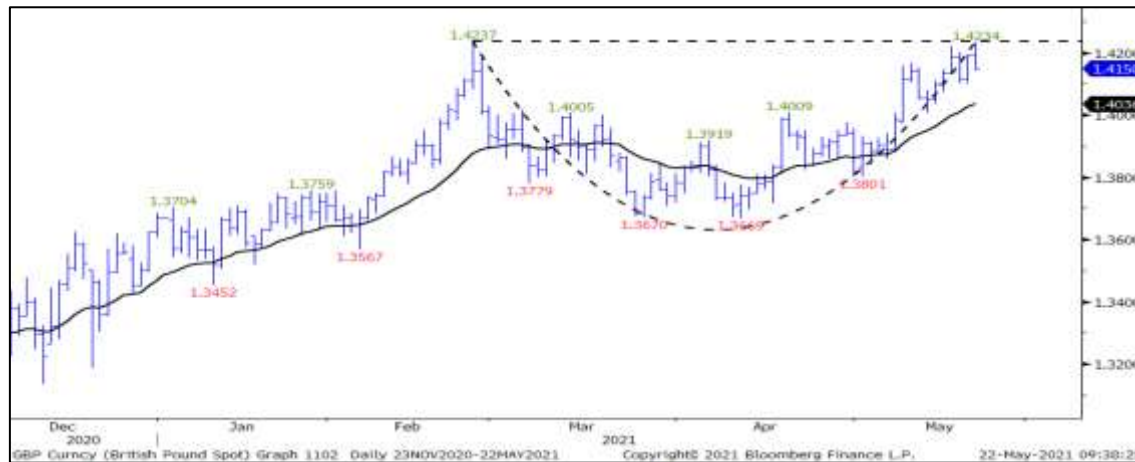
Dollar Index Daily Chart



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 May21	73.4600	72.8375	72.8675	-0.5675	-0.77%	2289544	-312213	-12%	2181207	672546	45%
NSE EURINR Future May21	89.5850	88.9150	89.0675	0.0700	0.08%	100115	-2658	-3%	141461	23609	20%
NSE GBPINR Future May21	104.1000	103.2725	103.5700	0.2000	0.19%	102799	-18552	-15%	242194	-17174	-7%
NSE JPYINR Future May21	67.3475	67.0325	67.0625	-0.1200	-0.18%	20470	963	5%	26423	-4968	-16%
NSE EURUSD Future May21	1.2242	1.2130	1.2222	0.0100	0.82%	3314	586	21%	972	-674	-41%
NSE GBPUSD Future May21	1.4231	1.4078	1.4209	0.0135	0.96%	3566	-2463	-41%	1260	-264	-17%
NSE USDJPY Future May21	109.35	108.60	108.67	-0.62	-0.57%	87	-20	-19%	20	-57	-74%

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 May21	73.68	73.27	73.06	72.65	72.43	73.31	73.76	74.02	75.33	72.60	27.09
NSE EURINR Future May21	89.86	89.46	89.19	88.79	88.52	89.28	89.35	89.25	90.73	88.49	45.84
NSE GBPINR Future May21	104.48	104.02	103.65	103.20	102.82	103.57	103.48	103.04	104.54	102.63	51.84
NSE JPYINR Future May21	67.46	67.26	67.15	66.95	66.83	67.30	67.73	68.32	69.54	66.35	35.63
NSE EURUSD Future May21	1.2310	1.2266	1.2198	1.2154	1.2086	1.2177	1.2115	1.2064	1.2241	1.1992	66.73
NSE GBPUSD Future May21	1.4326	1.4267	1.4173	1.4114	1.4020	1.4127	1.4030	1.3929	1.4253	1.3756	66.63
NSE USDJPY Future May21	109.62	109.15	108.87	108.40	108.12	108.92	108.90	108.38	109.72	107.98	47.32



Economic Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
24 May	25 May	26 May	27 May	28 May
US: Chicago Fed. Activity	US: New Home Sales	India: Buddha Purnima Holiday (Bank 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.

