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FOREIGN EXCHANGE OUTLOOK

DAILY CURRENCY HIGHLIGHTS

27 February 2020

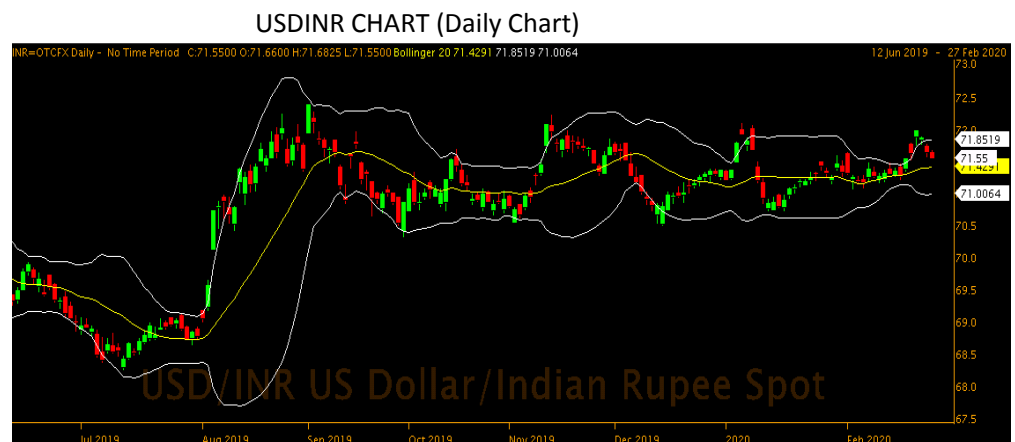


Markets Recap

Rupee outperformed on account of lower crude prices and month-end exporter selling. Further, SBI Cards IPO related inflow and strengthening Chinese yuan backed the Rupee. Growing expectations that the US Federal Reserve may cut interest rates to tackle the possible impact of the coronavirus weighed on the greenback globally. Domestic equities ended in red for the fifth consecutive session, closing with 0.4% cut tracking weak global cues. The benchmark bond yields rose by 3bps at 6.38%. The yen was among the top performers against USD as investors are flocking to safe-haven assets. Fear of a global coronavirus pandemic grew after reports said the daily number of infections worldwide was higher than in China. The pound remained under pressure on concerns whether the UK government will struggle to increase public spending to support the economy. EURUSD continues to push higher in a recovery that began last week and gain is attributed to a weaker dollar.

Technical corner

“ After sideways price action trading, the USDINR pair ended session at the lowest point of the day. 71.40 - 71.50 range will act as an immediate support zone. ”



News of the day

“ Markets extend losses for 5th consecutive day as coronavirus fear grips investors ”

Benchmark indices ended lower for the fifth consecutive session but recovered from the day's low in the final hour of trade. The global market got impacted as new coronavirus cases outside China exceeded those in China for the first time. The focus now shifts towards tomorrow's crucial Q3FY20 India's GDP data. At close, the Sensex was down 143 points at 39746, while Nifty was down 45 points at 11633.

Forward Premia

● Dollar Rupee Month End Forward Premium

USDINR Month end Premium													
Description	CASH/SPOT	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Premiums in paise	2.55	18.5	43	63	85.5	108.5	131.5	154.25	177.5	200	226.5	249.5	271.5
Outright Rate	71.52	71.74	71.98	72.18	72.41	72.64	72.87	73.09	73.33	73.55	73.82	74.05	74.27
Annualized Premium %	1.28	3.25	3.72	3.65	3.63	3.67	3.69	3.71	3.74	3.74	3.80	3.82	3.84

Market At Glance

● Market Activity

Key rates	Closing
USDINR closing rate	71.56
USDINR future (Mar)	71.77
US 10y bond yield	1.29%
India 10y bond yield	6.38%
Nifty	11633 (-45)
1 Year Libor	1.61%
Highest OI for Call	72.00 strike (Mar)
Highest OI for Put	71.50 strike (Mar)

● Institutional Activity

FY 2019 - 20	INR crores			
	Equity	Debt	Hybrid	Total
April	21193	-5099	634	16728
May	7920	1187	2264	11371
June	2596	8319	2196	13111
July	-12419	9433	-17	-3003
Aug	-17592	11672	49	-5871
Sep	7548	-990	25	6583
Oct	12368	3670	31	16069
Nov	25231	-2358	126	22999
Dec	7338	-4617	39	2760
Jan	12123	-11119	-46	958
Feb	4885	6569	2416	13870
Total	71191	16667	7717	95575

* updated as on 27-February-2020

● Commodity Activity

	LAST	%CHANGE
GOLD (\$/ounce)	1648.30	0.30
SILVER (\$/ounce)	18.04	0.58
WTI CRUDE (\$/brl)	47.74	-2.03
DOLLAR INDEX	98.81	-0.19

The Evening Sunshine

● Rupee Counterpair data

	Open	High	Low	Close
USDINR	71.66	71.68	71.56	71.56
EURINR	77.95	78.41	77.94	78.28
GBPINR	92.47	92.74	92.05	92.12
CHFINR	73.30	73.75	73.31	73.67
JPYINR	64.87	65.20	64.88	65.03

US GDP and Consumer durable data to dominate the price action

Dow futures point to a weak open after the CDC confirmed the first U.S. coronavirus case of unknown origin in Northern California, indicating possible “community spread” of the disease. Global stocks sunk deeper into the red, and US Treasuries rallied into new record low as more signs of the global spread of the COVID-19 heightened fears of a pandemic. Brent oil, sensitive to global growth given the vast energy consumption in many countries, fell more than 2% around \$51.60 levels.

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