December 7, 2018

# Daily Currency outlook

| Recommendation in the report | | | | | | |
|---|---|---|---|---|---|---|
| Currency pair | Contract | Action | Price | Target | Stoploss | Duration |
| US$INR | December futures | Sell | 70.65 | 70.33 | 70.81 | 1 day |

## Other Product offerings

| Monthly Currency and Thematic reports | |
|---|---|
| Currency | Action |
| EURINR | Buy |

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# Forex and global equities

## Spot Currency

| Currency | Close | Pvs. Close | % Change |
|---|---|---|---|
| US$INR | 70.90 | 70.47 | 0.62 |
| Dollar index | 96.81 | 97.07 | -0.27 |
| EUR-US$ | 1.1374 | 1.1344 | 0.26 |
| GBP-US$ | 1.2781 | 1.2734 | 0.37 |
| US$-JPY | 112.68 | 113.19 | -0.45 |
| AUD-US$ | 0.7236 | 0.7268 | -0.44 |
| US$-CHF | 0.9926 | 0.9977 | -0.51 |

- The rupee weakened sharply yesterday amid concerns on steep oil supply cuts by Opec and other members. However, the meeting ended without a supply deal as Russia has not yet committed. The rupee is expected to open higher as a decline in oil price is positive for it
- The US$ declined as risk sentiment improved amid ebbing risks of higher prices as of now. Investors will await US November employment details as well as Fed monetary policy meeting. Any dovish assessment shall see the dollar declining swiftly

## Global Equity Indices

| Indices | Close | Pvs. Close | % Change |
|---|---|---|---|
| Dow Jones | 24948 | 25027 | -0.32 |
| Nasdaq | 6839 | 6795 | 0.64 |
| FTSE | 6704 | 6922 | -3.15 |
| DAX | 10811 | 11200 | -3.48 |
| HangSang | 26156 | 26820 | 0.09 |
| Nikkei | 21502 | 21919 | 0.13 |
| SGX Nifty | 10624 | 10834 | 0.61 |

- Equity benchmarks extended their decline on Thursday for a third session in a row led by weak global cues
- Broader market indices also ended down in tandem with benchmarks. The Nifty settled at 10601, down 181 points or 1.7% for the day

*Asian equity indices at 8.00 am

*Source: Bloomberg, ICICI Direct Research*

# Debt and FII activity

## Benchmark yield

| | Close | Pvs. Close | % Change |
|---|---|---|---|
| India 10-yr | 7.43 | 7.44 | -0.22 |
| US 10-yr | 2.90 | 2.91 | -0.62 |
| Eur 10-yr | 0.24 | 0.28 | -14.80 |
| UK 10-yr | 1.25 | 1.32 | -5.25 |
| JPY 10-yr | 0.06 | 0.07 | -3.03 |

- Government bonds extended gains as the RBI reduced its inflation target range while a more dovish than expected meeting supported domestic debt. Also, a decline in oil prices and a stable rupee is positive for domestic debt
- US treasury yields declined as a slump in oil prices as well as a possibility of US-China trade resolution could create a hurdle for faster inflation growth

## Commodities

| | Close | Pvs. Close | % Change |
|---|---|---|---|
| Gold | 1238 | 1237 | 0.04 |
| Copper | 274.1 | 276.8 | -0.99 |
| Brent | 60.1 | 61.6 | -2.44 |

- Gold was slightly higher as it continues to track a move in the US$. A decline in the dollar from present levels would provide a fillip to gold
- Crude oil declined yesterday as Opec dillydallying over supply cut quantum weighed on prices. Oil producers would be meeting today again. As such, investors would be tracking further development

## FII Activity

| Segment | Purchase | Sell | Net ₹ crores |
|---|---|---|---|
| Equity | 5066 | 5427 | -361 |
| Debt | 1590 | 452 | 1137 |

- Foreign institutional investors (FII) were net buyers to the tune of ₹ 777 crore on December 5, 2018
- FIIs have been net sellers of the more than ₹ 153 crore in December 2018

*Source: Bloomberg, ICICI Direct Research, CDSL*

# INR futures and Outlook

## Currency futures on NSE

| Contracts | LTP | chng (%) | OI | Vol | chng (%) | |
|---|---|---|---|---|---|---|
| | | | | | OI | Vol |
| December | 70.95 | 0.40 | 1427133 | 2788989 | 1.09 | 50.01 |
| January | 71.17 | 0.39 | 256422 | 202313 | 9.29 | 37.73 |
| Dec-Jan | -0.22 | - | - | 2586676 | - | 92.75 |
| Jan-Feb | -0.23 | - | - | 178844 | - | 88.40 |

- The dollar-rupee December contract on the NSE was at 70.95 in the previous session. December contract open interest increased 1.09% in the previous session
- We expect the US$INR to meet resistance at higher levels. Utilise upsides in the pair to initiate short positions

## Pivot levels

| Futures | Pivot | S1 | S2 | R1 | R2 |
|---|---|---|---|---|---|
| US$INR (Dec) | 71.04 | 70.77 | 70.59 | 71.22 | 71.49 |
| US$INR (Jan) | 71.25 | 70.97 | 70.78 | 71.44 | 71.72 |
| EURINR (Dec) | 80.66 | 80.35 | 80.12 | 80.89 | 81.20 |
| EURINR (Jan) | 81.15 | 80.86 | 80.66 | 81.35 | 81.64 |
| GBPINR (Dec) | 90.44 | 90.04 | 89.60 | 90.88 | 91.29 |
| GBPINR (Jan) | 91.00 | 90.72 | 90.50 | 91.21 | 91.49 |
| JPYINR (Dec) | 63.09 | 62.77 | 62.49 | 63.37 | 63.69 |
| JPYINR (Jan) | 63.49 | 63.19 | 63.00 | 63.68 | 63.97 |

## US$INR Strategy

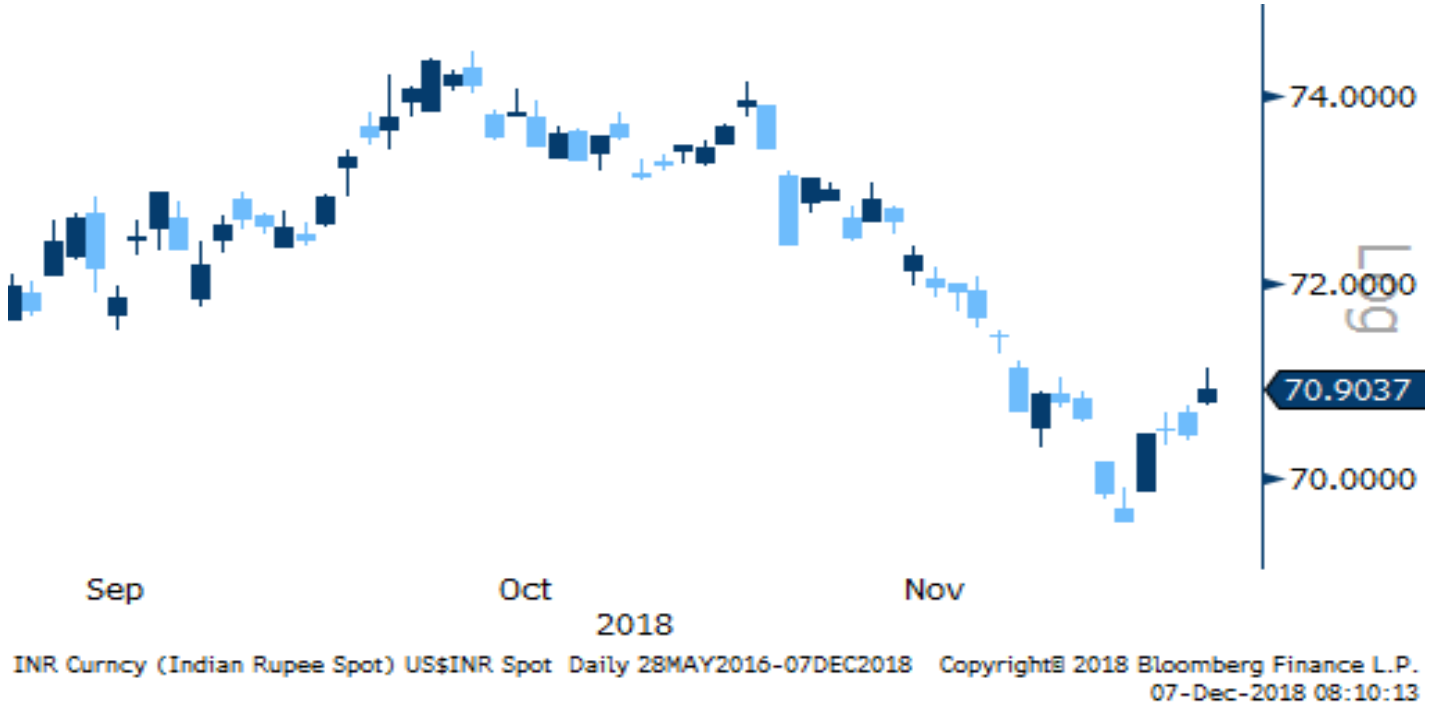
| US$INR December futures contract (NSE) | |
|---|---|
| Sell US$ in the range of 70.62 -70.68 | Market Lot: US$1000 |
| Target: 70.38 / 70.28 | Stop Loss: 70.81 |
| Support | Resistance |
| S1/ S2: 70.60 / 70.40 | R1/R2:70.75 /70.90 |

*Recommendation initiation message shall be broadcasted on iclick2gain at relevant prices

*Source: Bloomberg, ICICI Direct Research*

# US$INR Spot currency

## US$INR Spot




## Strategy Update

| Date | Currency pair | Strategy | Rec. | Target | SL | (P/L)* | Comment |
|---|---|---|---|---|---|---|---|
| 6-Dec-18 | US$INR | Buy future | 71.19 | 71.32 | 71.09 | 80 | Exit in profit |

*Source: Bloomberg, ICICI Direct Research*

# Open Recommendations

| Date | Currency | Product | Strategy | Recommendation price | Target | Stoploss | Time frame |
|---|---|---|---|---|---|---|---|
| 4/12/2018 | EURINR | Positional Currency | Buy EURINR | 80.72 | 82.30 | 79.70 | 1 month |

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*Source: Bloomberg, ICICI Direct Research*

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