# Currency Daily

February 6, 2017

## Treasury yields

| | Closing yield% | Previous yield % |
|---|---|---|
| India 10 year | 6.409 | 6.401 |
| US 10 year | 2.4648 | 2.4737 |
| Eur 10 year | 0.412 | 0.427 |
| UK 10 year | 1.352 | 1.383 |
| JPY 10 year | 0.1 | 0.116 |

## RBI reference rate

| | Close | | % change |
|---|---|---|---|
| | 2/3/2017 | 2/2/2017 | |
| USD/INR | 67.38 | 67.45 | -0.10 |
| EUR/INR | 72.44 | 72.80 | -0.49 |
| GBP/INR | 84.32 | 85.49 | -1.37 |
| YEN/INR | 59.60 | 59.91 | -0.52 |

## Spot

| Spot | Close | Prev close | % change |
|---|---|---|---|
| Rupee | 67.32 | 67.37 | -0.08 |
| Dollar index | 99.87 | 99.79 | 0.08 |
| Euro | 1.0783 | 1.0759 | 0.22 |
| British pound | 1.2484 | 1.2527 | -0.34 |
| Japanese Yen | 112.61 | 112.8 | -0.17 |
| Australian ($) | 0.768 | 0.7658 | 0.29 |
| Swiss Franc | 0.993 | 0.9927 | 0.03 |

## Currency futures (US$/₹, NSE)

| Contracts | LTP | chng (%) | OI | Vol | chng (%) | |
|---|---|---|---|---|---|---|
| | | | | | OI | Vol |
| February | 67.47 | -0.12 | 1377878 | 786934 | 1.46 | -23.21 |
| March | 67.73 | -0.13 | 415202 | 88712 | 2.45 | -31.05 |
| Feb-March | -0.26 | - | - | 698222 | - | 88.73 |
| March-April | -0.28 | - | - | 81452 | - | 91.82 |

## Global Indices

| Indices | Close | Prev close | % change |
|---|---|---|---|
| Dow Jones | 20071.46 | 19884.91 | 0.94 |
| Nasdaq | 5161.598 | 5147.702 | 0.27 |
| FTSE | 7188.3 | 7140.75 | 0.67 |
| DAX | 11651.49 | 11627.95 | 0.20 |
| Hang Sang | 23287.2 | 23129.21 | 0.68 |
| Nikkei | 18974.07 | 18918.2 | 0.30 |
| SGX Nifty | 8810 | 8759.5 | 0.58 |

* Asian market as at 08.00 am

## Commodities

| | Close | Prev close | % change |
|---|---|---|---|
| Gold | 1220.3 | 1215.96 | 0.36 |
| Copper | 261.6 | 268.55 | -2.59 |
| Brent crude | 56.81 | 56.56 | 0.44 |

*Source: Reuters,Bloomberg,Cdsl for above all exhibits*

## Research Analyst

Amit Gupta
amit.gup@icicisecurities.com

Gaurav Shah
gaurav.shah@icicisecurities.com

## Debt market

- Government bonds ended flat post budget, as the government aimed to maintain fiscal consolidation, outlined in the Union Budget, triggered by hopes of a rate cut by the Monetary Policy Committee on Feb 08.
- The benchmark 6.97% 2026 bond yield remained almost unchanged at 6.40%
- Yield on the US 10-year declined to 2.46% from 2.47% in the previous day

## Forex (US$/INR)

- The rupee continued its stellar run against the US currency and closed at a fresh two and a half month high of 67.31 on heavy dollar unwinding by speculative traders and exporters Stretching its powerful rally for the 8th straight session.
- The US $ headed for its fourth straight weekly loss and bond yields fell yesterday after wage growth slowed in the monthly employment report, suggesting the Federal Reserve may not raise interest rates again soon.

## Equity

- Equity benchmarks eked out small gains in a lacklustre trading session on Friday as markets remained in consolidation mode for second session after the massive budget day gains
- The Sensex settled at 28240 up 13 points or 0.05% while the Nifty was up just 6 points or 0.08% to shut shop at 8740 levels
- Broader markets remained in overdrive mode as the BSE mid cap and small cap indices outperformed the benchmarks by rallying 0.61% and 1.08% respectively. As a result, the market breadth, indicating the overall health of the market was positive with an A/D ratio of 1.4:1 on the BSE

## Commodities Market

- Oil prices rose Friday as the market saw some of the oil producers comply strictly with an output cut deal reached last year. United States imposed sanctions on some Iranian entities and individuals added volatility in the day's trading.
- Gold prices crawled higher on Monday on a weaker dollar after mixed U.S. jobs data late last week lowered expectations for near-term interest rate hikes. SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings rose to 814.51 tonnes on Friday.

## US$/INR derivatives strategy

- In the currency futures market, the most traded dollar-rupee February contract on the NSE ended at 67.47. The February contract open interest rose 1.46% from the previous day
- March contract open interest rose 2.45% from previous day
- We expect the US dollar to meet supply pressure at higher levels. Utilise upsides in the dollar to go short on the US$INR pair

## Intra-day strategy

| US$INR February futures contract (NSE) | View: Bearish on US$INR |
|---|---|
| Sell US$INR in the range of 67.50 - 67.60 | Market Lot: US$1000 |
| Target: 67.20 / 67.10 | Stop Loss: 67.70 |
| Support | Resistance |
| S1/ S2: 67.20 / 67.10 | R1/R2:67.70 /67.90 |

*Source: Company, ICICIdirect.com Research*
**Call initiation and update messages will be broadcast on iclick-2-gain"*

## FII Activity

| Segment | Gross Purchase | Gross Sale | Net (₹ crore) |
|---|---|---|---|
| Equity | 5913.15 | 5193.20 | 719.95 |
| Debt | 1271.68 | 1171.65 | 100.03 |

*Source: SEBI, CDSL*

## Exhibit 1: US$ INR Currency Future (NSE)

*Source: Reuters, ICICIdirect.com Research*

## Exhibit 2: Pivot Levels (NSE)

| Futures | Pivot | S1 | S2 | R1 | R2 |
|---|---|---|---|---|---|
| US$ - INR (Feb) | 67.60 | 67.51 | 67.46 | 67.65 | 67.74 |
| US$ - INR (Mar) | 67.87 | 67.79 | 67.74 | 67.92 | 67.99 |
| EUR - INR (Feb) | 73.04 | 72.94 | 72.83 | 73.15 | 73.26 |
| EUR - INR (Mar) | 73.37 | 73.28 | 73.18 | 73.48 | 73.57 |
| GBP - INR (Feb) | 85.61 | 85.33 | 85.14 | 85.80 | 86.08 |
| GBP - INR (mar) | 85.96 | 85.69 | 85.52 | 86.14 | 86.40 |
| JPY - INR (feb) | 60.06 | 59.93 | 59.74 | 60.25 | 60.38 |
| JPY - INR (mar) | 60.60 | 60.52 | 60.42 | 60.70 | 60.78 |

*Source: NSE, ICICIdirect.com Research*

## Exhibit 3: Strategy follow up

| Date | Contract USD/INR | View | Strategy | Rec. | Target | SL | (P/L)* | Comment |
|---|---|---|---|---|---|---|---|---|
| 3-Feb-17 | February | Sell | Sell fut | 67.75 | 67.50 | 67.90 | 0 | Not initiated |

*(*Returns are calculated on one lot only)*

**Exhibit 4: Contract Specification (NSE)**

| | |
|---|---|
| Underlying | Rate of exchange between one USD and INR |
| Trading Hours (Monday to Friday) | 09:00 a.m. to 05:00 p.m. |
| Contract Size | USD 1000 |
| Tick Size | 0.25 paise or INR 0.0025 |
| Trading Period | Maximum expiration period of 12 months |
| Contract Months | 12 near calendar months |
| Final Settlement date/ Value date | Last working day of the month (subject to holiday calendars) |
| Last Trading Day | Two working days prior to Final Settlement Date |
| Settlement | Cash settled |
| Final Settlement Price | The reference rate fixed by RBI two days prior to the final settlement date will be used for final settlement |

*Source: NSE, ICICIdirect.com Research*

NOTES:

- The Sell below / above price is a key technical level, which decides the trend for the day
- Initiate the trade within +/— 0.03—0.04 margin from the recommended level
- A return opportunity of about 0.09 paisa is considered for partial profit booking post initiation of the trade
- Once the Call is initiated, an appropriate Stop Loss trigger should be put for the trade
- Once into position, put trailing stops to preserve your profits
- Be careful if the counter achieves the target immediately after opening
- The strategies are valid only for the date mentioned at the top
- Positions should be squared off by the end of the day
- The strategies are based on intra-day volatility, suggesting a two-way approach intra-day
- Medium to long-term prospects do not have any bearing on the daily view

MOST IMP: The follow-up and performance review table of the strategies indicates the profit opportunity that was available in the strategies. Individual profits may vary, depending upon the entry and exit price and stop losses

**Pankaj Pandey** | **Head – Research** | **pankaj.pandey@icicisecurities.com**

**ICICIdirect.com Research Desk,**
**ICICI Securities Limited,**
1st Floor, Akruti Trade Centre,
Road No 7, MIDC
Andheri (East)
Mumbai – 400 093
**research@icicidirect.com**

## Disclaimer

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities Ltd (I-Sec). The author may be holding a small number of shares/position in the above-referred companies as on date of release of this report. I-Sec may be holding a small number of shares/position in the above-referred companies as on date of release of this report. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This report may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. I-Sec and affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Actual results may differ materially from those set forth in projections. I-Sec may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject I-Sec and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.