

18 May 2018

Daily Currency outlook

Recommendation in the report						
Currency pair	Contract	Action	Price	Target	Stoploss	Duration
US\$INR	May futures	Buy	67.65	67.90	67.49	1-2 days

Other Product offerings

Monthly Currency and Thematic reports

Currency	Action
EURJPY	Buy

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Spot Currency

Currency	Close	Pvs. Close	% Change
US\$INR	67.70	67.80	-0.14
Dollar index	93.47	93.39	0.08
EUR-US\$	1.1795	1.1808	-0.11
GBP-US\$	1.3516	1.3486	0.22
US\$-JPY	110.77	110.40	0.34
AUD-US\$	0.7511	0.7516	-0.07
US\$-CHF	1.0015	1.0012	0.03

Global Equity Indices

Indices	Close	Pvs. Close	% Change
Dow Jones	24714	24769	-0.22
Nasdaq	6902	6930	-0.41
FTSE	7788	7734	0.70
DAX	13115	12996	0.91
HangSang	31014	30942	0.23
Nikkei	22897	22838	0.26
SGX Nifty	10672	10703	-0.29

*Asian equity indices at 8.00 am

Source: Bloomberg, ICICI Direct Research

- The rupee reversed its losses and ended up almost 0.46% vs. US\$ as receding concerns over domestic state election political turmoil as well as a steady US\$ led to some profit booking in rupee shorts
- The US\$ extended mild gains. However, there was consolidation as rising yields were countered by concerns over US President-North Korean leader's scheduled summit on June 12. North Korea has threatened to cancel the meet if US-South Korea does not stop military drill over the Korean peninsula. We expect the Yen to continue to loose against the US\$ and other currencies in the backdrop of widening monetary policies

- Equity benchmarks surrendered early session gains and ended subdued. The Nifty settled at 10683, down 58 points or 0.5%.
- Broader markets outperformed as the Nifty midcap gained 0.4% while small caps gained 1%. Even the market breadth turned out to be positive with an AD ratio of 1.1:1

Benchmark yield

	Close	Pvs. Close	% Change
India 10-yr	7.88	7.90	-0.25
US 10-yr	3.11	3.10	0.48
Eur 10-yr	0.64	0.61	5.61
UK 10-yr	1.56	1.50	3.99
JPY 10-yr	0.06	0.06	10.53

Commodities

	Close	Pvs. Close	% Change
Gold	1291	1291	0.00
Copper	307.7	305.9	0.60
Brent	79.3	79.3	0.03

FII Activity

Segment	Purchase	Sell	Net ₹ crores
Equity	4918	5638	-720
Debt	771	1808	-1036

- Sovereign bonds were slightly higher yesterday. However, with crude oil prices in the vicinity of \$80/bl and sluggish demand for domestic debt, we can see yields rising to 8% in the near term
- US 10-year yields rose to 3.11%, highest since 2011 as higher crude oil prices as well as growth prospects in the US continue to support higher rate hike prospects

- Spot gold fell below \$1300/oz and is consolidating as strength in US\$ undermines inflation hedge appeal of gold for now. We expect gold to get a flip if US-North Korea talks fail or prove un conclusive
- Although crude oil ended at same levels, it retraced from above \$80/bl for the first time since November 2014. We expect strength in crude oil to continue in the backdrop of rising concerns over Iranian exports post the US President's planned economic sanctions

- Foreign institutional investors (FII) were net sellers to the tune of ₹ 1756 crore on May 16, 2018
- FIIs have been net sellers to the tune of almost ₹ 14333 crore in May 2018

Source: Bloomberg, ICICI Direct Research, cdsI

Currency futures on NSE

Contracts	LTP	chng (%)	OI	Vol	chng (%)	
					OI	Vol
May	67.78	-0.17	2799322	1468316	-3.35	-55.13
June	67.99	-0.20	987639	198525	5.55	-56.68
May-June	-0.22	-	-	1269791	-	86.48
June-July	-0.23	-	-	161550	-	81.38

- The near-month dollar-rupee May contract on the NSE was at 67.78 in the previous session. The May contract open interest declined 3.35% in previous day
- We expect the US\$INR to find supports at lower levels. Utilise downsides in the pair to initiate long positions

Pivot levels

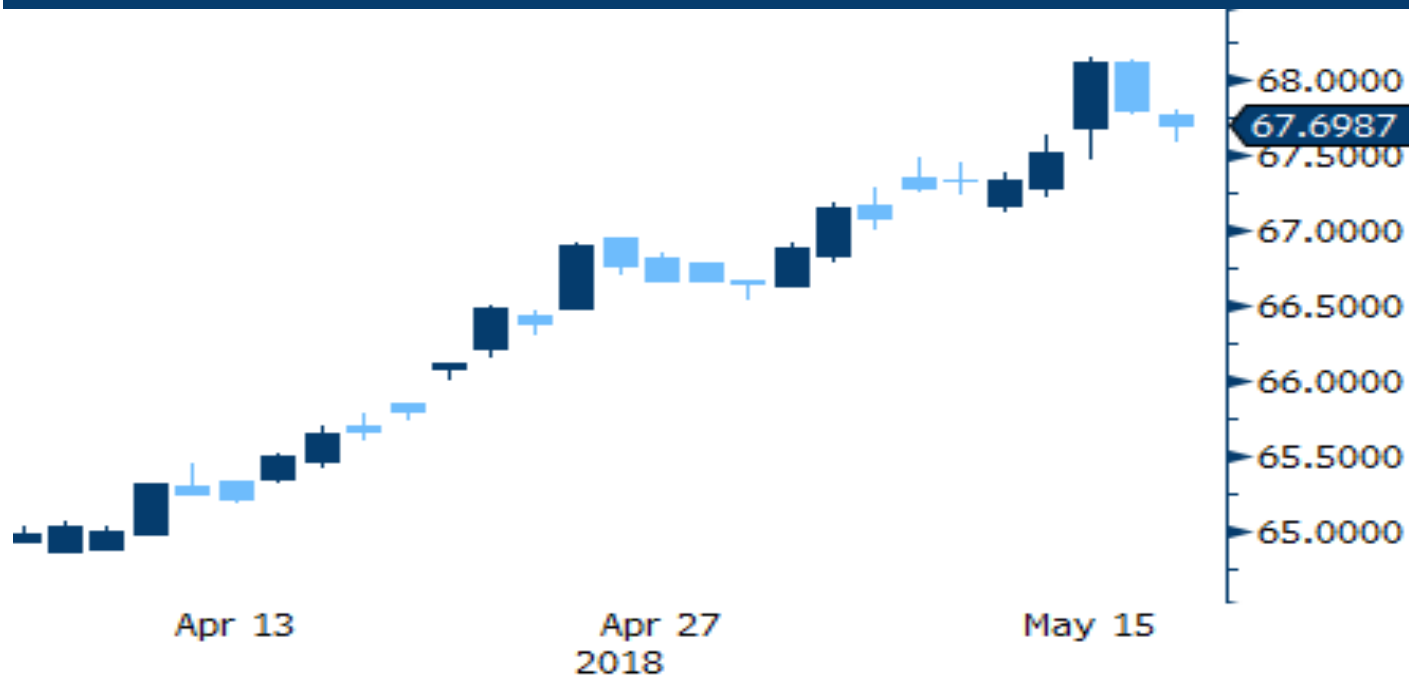
Futures	Pivot	S1	S2	R1	R2
US\$INR (May)	67.77	67.99	67.53	67.89	68.00
US\$INR (June)	67.99	68.21	67.76	68.11	68.22
EURINR (May)	80.07	80.57	79.66	80.23	80.48
EURINR (June)	80.48	80.90	80.12	80.63	80.84
GBPINR (May)	91.62	92.38	91.01	91.84	92.23
GBPINR (June)	92.01	92.71	91.47	92.21	92.55
JPYINR (May)	61.37	61.83	60.98	61.52	61.75
JPYINR (June)	61.67	62.14	61.28	61.83	62.06

US\$INR Strategy

US\$INR May futures contract (NSE)	View: Bullish on US\$INR
Buy US\$INR in the range of 67.62 - 67.68	Market Lot: US\$1000
Target: 67.85/ 68.0	Stop Loss: 67.49
Support	Resistance
S1/ S2: 67.60 / 67.40	R1/R2:67.85 /68.0

Source: Bloomberg, ICICI Direct Research

US\$INR Spot



INR Currency (Indian Rupee Spot) US\$INR Spot Daily 18MAY2016-18MAY2018
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Strategy Update

Date	Currency pair	Strategy	Rec.	Target	SL	(P/L)*	Comment
17-May-18	US\$INR	Buy future	67.70	67.88	67.58	140	Exit in profit

Source: Bloomberg, ICICI Direct Research

Open Recommendations

Date	Currency	Product	Strategy	Recommendation price	Target	Stoploss	Time frame
6/30/2017	EURJPY	Currency thematic	Buy EURINR & Sell JPYINR	16.10	28.00	10.00	6-9 months

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Source: Bloomberg, ICICI Direct Research



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