

Currencies Daily Report

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FOREX RISK MANAGEMENT SOLUTIONS

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Market Overview

Overnight, U.S. stocks closed modestly higher, as investors mulled over former FBI Director James Comey's testimony which overshadowed data showing that initial jobless claims fell less than expected. Asian markets today appeared to mostly shrug off the political uncertainty in the U.K. Probably, the possibility of a reduced Conservative majority or even a minority government is unlikely to have a significant impact on broader global markets.

Crude fell in Asia today as the U.K. election appears headed to a hung parliament, crushing Prime Minister Theresa May's plans to secure a solid majority to head into complex talks to exit the European Union, after briefly dipping overnight to a one-month low on the back of concerns of rising global output, following the return of Nigerian crude to the market and an unexpected surge in US crude stockpiles.

Overnight, the dollar rose against a basket of currency on Thursday, as the risk-on trade resumed, after testimony from former FBI Director James Comey to the Senate Committee was less controversial than many had feared, easing investor concerns about a sharp rise in U.S. political turmoil.

The rupee opened slightly lower at 64.27 against the US dollar because of mild risk-off sentiment globally following political uncertainty in the UK after the general election and is expected to move in the range of 64.10-64.45 through the day. The Indian unit drew pressure majorly from strength in the Dollar after Comey's testimony.

Today, premiums on dollar/rupee forwards may open lower due to expectations of a cut in the repo rate in August, some fx dealers said.

On an annualised basis, the premium on the one-year exact-period contract was at 4.59% on Thursday, compared with 4.62 on Wednesday.

ECB Inching Toward Exit at Snail's Pace The ECB continues to take a very cautious approach, and is inching toward exit steps at a snail's pace. Markets may be pricing in tapering for next year, but while Draghi finally admitted that deflation risks have disappeared and removed the easing bias on rates, the doves are still keeping a joker up their sleeves and maintain that QE can still be extended in duration or size. Not even a fully neutral stance then and at this pace we are unlikely to get an announcement on QE tapering already in September, as many expect.

Former FBI chief Comey's Senate testimony hung like a cloud over the markets Thursday, stifling U.S. assets for most of the session with a heavy dose of political intrigue. Once the smoke cleared, stocks ticked higher and yields topped out, while the dollar maintained a bid after the ECB lowered its inflation forecasts by more than it upped its growth outlook. Data was limited to a 10k drop in jobless claims from upwardly revised levels.

Indices	Last Close	Previous Close	% CHANGE
NASDAQ	6321.00	6297	0.38
DOW JONES	21182.00	21173.00	0.04
NIKKEI	20050.00	19970.00	0.40
HANGSENG	26017.00	26063.00	-0.18
Currencies	Today Morning	Yesterday at 05:00 PM	% CHANGE
DX	97.29	96.89	0.41
EURUSD	1.1194	1.1240	-0.41
GBPUSD	1.2776	1.2942	-1.28
USDJPY	110.34	110.13	0.19
	Today Morning	Yesterday at 05:00 PM	% CHANGE
USDINR Spot	64.2600	64.2100	0.08
IRF	105.09	105.26	-0.16

USDINR Intraday Outlook

Ahead of the testimony, investors feared that Comey's testimony could engulf the Trump administration in further political scandals, delaying the administration's plans to implement economic initiatives such as tax reform intended to boost the economy but this did not happen and Comey testified that President Trump was not directly under investigation at the time he was fired but accused the Trump administration of choosing to defame him and the FBI by "claiming the agency was poorly led".

Movement in the Dollar was also majorly controlled and restricted by the General elections in UK and the ECB Policy.

The Rupee against the Dollar has been in a tight range between 64.30-64.60 for quite a long time now and yesterday's breach below 64.30 in USDINR has given a boost to the sentiments in INR indicating further appreciation towards 64.10



This is the daily chart of USDINR pair, during the last trading day the pair opened 64.39 made a high of 64.41 and saw the pair trading side wise during the day, but in last hour the pair violated the supports of 64.30 and had a trending session on the downside, now 64.30 will become resistance (previous support becomes resistance) and the pair likely to trade lower with next support coming at 64.-64.10 levels.

<u>Intraday Bias</u>	<u>Intraday Strategy</u>						<u>Intraday Range (SPOT)</u>	
Sideways	SELL USDINR FUT 64.50-64.55 TGT 64.20 SL 64.65						64.10-64.40	
Pivot Levels (Futures)	S3	S2	S1	Pivot	R1	R2	R3	
	64.06	64.15	64.21	64.40	64.57	64.63	64.72	
Exporters Strategy	June exports to be partially hedged at 64.75-64.80							
Importers Strategy	June imports partially hedged at 64.50. Next level for further booking is 64.20							

EURINR Intraday Outlook

The euro was lower against the dollar on Thursday after the European Central Bank downgraded its inflation forecast for the next three years, but also tweaked its guidance on rates, dropping a pledge to cut rates again if needed.

The ECB cut its forecast for inflation this year to 1.5%, down from 1.7% in March and downgraded its forecasts for 2018 and 2019 to 1.3% and 1.6% respectively. ECB chief Mario Draghi said the cuts were mainly due to lower oil prices.

The central bank raised its growth forecasts for the next few years, saying it now expects GDP to rise by 1.9% this year, up from 1.8% expected back in March.

Draghi said risks to the growth outlook are now “broadly balanced”, dropping the ECB’s previous warning that risks were to the downside.

He added that the euro zone recovery is enjoying “stronger momentum”, and is growing at a “somewhat faster pace than previously expected”.

The ECB left its interest rates unchanged earlier on Thursday and dropped its guidance that interest rates may be cut again and kept its rate on bank overnight deposits, which is currently its primary interest rate tool, at -0.40%.

The main refinancing rate was unchanged at zero while the rate on the marginal lending facility, or emergency overnight borrowing rate for banks, stayed at 0.25%.

The ECB said that it expects policy rates to remain “at present” for an extended period of time, and well past the horizon of the net asset purchases.



This is the daily chart of EURUSD, the pair opened at 1.1203 and made a high of 1.1234 and saw the pair trading side wise in Asia session and in Europe session the pair had some supply and came lower, the pair is having a supply zone of 1.1280-1.1350 and now started to show sign of exhaustion with MACD indicator giving a crossover expects the pair to trade volatile for the day in the range of 1.1160-1.1240.

<u>Intraday Bias</u>	<u>Intraday Strategy</u>						<u>Intraday Range (SPOT)</u>
Bearish	SELL EURUSD 1.1210-1.1220 TGT 1.1160 SL 1.1250 SELL EURINR FUT 72.30-72.40 TGT 72.02 SL 72.50						72.00-72.45
Pivot Levels (Futures)	S3	S2	S1	Pivot	R1	R2	R3
	71.78	72.03	72.16	72.60	72.74	72.88	73.14
Exporters Strategy	Exports to be left open targeting 73						
Importers Strategy	Imports partially hedged at 72.60-72.70 Next level to be used is 72.00-72.05						

GBPINR Intraday Outlook

Cable plunged to 1.2700 from near 1.2950 following the release of U.K. exit polls, which estimate the Tories holding only 314 seats, down from 330 ahead of the election. The party needs 326 seats for an absolute majority. A "hung parliament" is the least favorable outcome, though the votes are yet to be counted. The Factory Production and Trade Balance data for the UK are to be released later today but the major driver for the movement in the Pound is and will be guided by the General election results.
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This is the daily chart of GBPUSD, during the last trading day the pair after opening at 1.2958 made a high of 1.2978 and was trading flat in asia trad, but in Europe session the pair found resistance at d leg of a bearish Gartley and reversed from the channel resistance, the pair is likely to volatile and now any bounce can e utilize to sell the pair next level of support comes at 1.27 levels.

Intraday Bias	Intraday Strategy						Intraday Range (SPOT)	
Bearish	SELL GBPUSD 1.2790-1.128 TGT 1.2720 SL 1.2810 SELL GBPINR FUT 82.50-82.65 TGT 81.95 SL 82.77						81.80-82.50	
Pivot Levels (Futures)	S3	S2	S1	Pivot	R1	R2	R3	
	82.81	83.00	83.12	83.50	83.70	83.82	84.01	
Exporters Strategy	Exports partially hedged at 83.50							
Importers Strategy	Imports partially hedged at 83 next level to be used is 82							

JPYINR Intraday Outlook

The Bank of Japan has far to go to reach its 2 percent inflation target, but its ultra-loose monetary policy has helped stabilize public inflation expectations, BOJ Governor Haruhiko Kuroda said on Thursday.

Japanese core consumer prices rose just 0.3 percent in April from a year earlier, as companies remain wary of raising prices for fear of scaring away price-sensitive households. Wage growth also remains tame, dashing central bankers' hopes that a tightening job market will lead to higher wages and give households more income to spend.

Part of the problem is the size of Japan's elderly population. Kuroda noted that about one-third of the population are pensioners, who are less keen to see prices rising and eating into the value of their pension payments. "This is certainly a challenge," he said.

But the main downward pressure on Japanese inflation had come from falling global oil prices, he said, adding that the global economy had remained weak in the wake of the financial crisis of 2008. "The performance of the global economy has been by no means satisfactory," he said.

Kuroda defended the central bank's so-called "quantitative and qualitative easing" program of heavy asset buying, saying it had helped stabilize inflation expectations. "QQE has produced its intended effects," he said.

After three years of the program failed to lift inflation significantly, the BOJ reframed its policy goal last year to one capping long-term interest rates from one targeting the pace of money printing.

Under the new framework, the BOJ guides short-term rates at minus 0.1 percent and 10-year bond yields around zero percent.

It also maintains its pledge to increase its bond holdings at an annual pace of 80 trillion yen. Some analysts believe the BOJ will soon modify or abandon that pledge as the pace of bond buying has recently slowed to around 60 trillion yen.



The USDJPY Daily chart, the pair opened at 109.79 and made a low of 109.39 and bounced from the lower levels, pair made a high of 110.4 and reversed and retraced 38.2 fib of the leg, the pair is having a strong resistance near 200DMA at 110.4 and if sustain likely to head higher but 112 bears would come in, for the day expect the pair to trade in 109.50-110.9 range.

<u>Intraday Bias</u>	<u>Intraday Strategy</u>						<u>Intraday Range (SPOT)</u>	
Sideways	Sell USDJPY 110.65-110.70 TGT 109.90 SL 110.90 BUY JPYINR FUT 58.30-58.25 TGT 58.65 SL 58.10						58.00-58.60	
Pivot Levels (Futures)	S3	S2	S1	Pivot	R1	R2	R3	
	58.05	58.23	58.34	58.70	58.80	58.91	59.09	
Exporters Strategy	June Exports partially hedged at 58.60-58.70							
Importers Strategy	June Imports hedged partially at 57.90-57.95 (02.06.17)							

Economic Data for the Day

Time	Currency	Data	Forecast	Previous
2:00 PM	GBP	Manufacturing Production m/m	0.8%	-0.6%
	GBP	Goods Trade Balance	-12.0B	-13.4B

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