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FOREX Newsletter

October 27, 2020

Pulse of the Market

- The second COVID-19 wave caught European nations completely unprepared
- There are a number of factors that could affect how the US dollar and US markets trade this week
- All of the commodity currencies acceded to risk aversion with the Canadian dollar leading the slide
- New coronavirus cases are also on the rise in Canada but at a slower pace than the U.S

Recent Interest Rates & US Treasury Yields

USD		0.25%
EUR		0.00%
GBP		0.25%
JPY		-0.10%
CAD		0.75%
AUD		0.25%
NZD		0.25%
	Change	Yield
2-yr Yield	+0.01	0.15%
5-yr Yield	+0.01	0.35%
10-yr Yield	+0.02	0.79%

The mood is shifting in the financial markets. With eight days until the US Presidential election, investors are finally growing nervous. The Dow Jones Industrial Average fell more than 900 points intraday and typically when there is such an aggressive one day decline, further losses are likely. Panic selling will often lead to big multi-day moves in currencies and between record breaking coronavirus cases in the US and Europe, dimming odds of a pre-election stimulus deal and US election uncertainty, investors have plenty to be worried about. This is a big week in the markets. Not only will time run out completely if the White House can't compromise with House Speaker Nancy Pelosi but the second COVID-19 wave caught European nations completely unprepared and many are tightening restrictions to control their outbreaks. Unfortunately, the localized piece-meal approach is not working and some nations could be forced to impose a nationwide lockdown and if one major country decides to do so, others could follow. We're watching France very closely as they reported 52K new virus cases on Sunday. This is now almost seven times more cases than their first wave peak in March. For now, the euro refuses to fall but a return to a complete nationwide lockdown in some of the Eurozone's biggest countries could be the tipping point for the currency. The European Central Bank's monetary policy announcement is one of the most important event risks this week and with virus cases surging across the region, they'll have no choice but to set the stage for easing before year end. There are a number of factors that could affect how the US dollar and US markets trade this week. Aside from the upcoming election, third quarter GDP numbers are scheduled for release and it's a busy earnings week. GDP growth is expected to snap back sharply in Q3 and if it does, there's no doubt President Trump will try to point to this improvement as a reason for not encouraging more restrictions despite record breaking new virus cases and 40% surge in hospitalizations over the past month. The federal government has basically given up with the White House Chief of Staff saying the administration is not going to control the virus – opting instead to focus its efforts on vaccines and treatments. All of the commodity currencies succumbed to risk aversion yesterday.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
11:00		France Unemployment Benefit Claims (SEP)	Medium			-171K
12:30		U.S Durable Goods Orders MoM (SEP)	High		0.5%	0.4%
12:30		U.S Durable Goods Orders Ex Transp MoM (SEP)	Medium		0.4%	0.4%
13:00		U.S House Price Index MoM (AUG)	Medium			1%
13:30		S&P/Case-Shiller Home Price MoM (AUG)	Medium		0.5%	0.6%
14:00		U.S CB Consumer Confidence (OCT)	High		102	101.8
14:00		U.S Richmond Fed Manufacturing Index (OCT)	Medium			21

Euro

The single currency fell in yesterday's trading session. Risk sentiment declined as investors digested a record surge of COVID infections in the U.S and Europe. Rising COVID cases in several European countries is threatening to derail the bloc's fragile economic recovery and could hamper the performance of the growth-sensitive Euro. Italy recorded 21,273 daily Covid-19 infections. Overall, the EUR/USD traded with a low of 1.1718 and a high of 1.1769 before closing the day around 1.1744 in the New York session.



Yen

The Japanese yen fell as the U.S dollar advanced yesterday, rising for a second straight session, bolstered by safe haven bids amid surging coronavirus cases in Europe and the United States as well as a lack of progress on a U.S stimulus package. The United States, Russia and France set new daily records for new COVID-19 infections as a second wave swelled across parts of the Northern Hemisphere. Overall, the USD/JPY traded with a low of 105.01 and a high of 105.49 before closing the day around 105.14 in the U.S session.



British Pound

The British Pound was subdued against a stronger dollar yesterday, but it rose slightly against the Euro as an extension to Brexit talks gave markets some cause for optimism about a deal being reached before the Dec. 31 deadline. The EU's chief negotiator, Michel Barnier, will be in London until Wednesday to try and clinch a deal, after which negotiations will switch to Brussels. Overall, the GBP/USD traded with a low of 1.2861 and a high of 1.3062 before closing the day at 1.3010 in the New York session.



Canadian Dollar

The Canadian Dollar weakened by the most in nearly five weeks, as investors grew more worried about the outlook for the global economy and eyed a Bank of Canada interest rate decision this week. The Bank of Canada is due to make an interest rate decision and update its economic outlook on Wednesday. Canadian government bond yields were lower across much of a flatter curve. Overall, USD/CAD traded with a low of 1.3113 and a high of 1.3106 before closing the day at 1.3142 in the New York session.



Appendix

FOREX Closing Prices for October 26, 2020					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.18452	1.18493	1.18017	1.18079	-0.0052
USD/JPY	104.666	105.035	104.635	104.816	0.1230
GBP/USD	1.30539	1.30729	1.2991	1.30222	-0.0018
USD/CHF	0.9046	0.90789	0.90409	0.90752	0.0036
USD/CAD	1.31482	1.3223	1.31362	1.32085	0.0082
EUR/JPY	123.996	124.183	123.753	123.787	-0.3860
GBP/JPY	136.637	137.037	136.272	136.51	-0.0260
CHF/JPY	115.691	115.931	115.433	115.452	-0.3400
AUD/JPY	74.579	74.91	74.47	74.643	-0.0930
EUR/GBP	0.90725	0.91042	0.90393	0.90655	-0.0027
EUR/CHF	1.07147	1.07228	1.07051	1.07184	-0.0002
GBP/CHF	1.18064	1.18493	1.1759	1.18209	0.0033

Daily Pivot Points							
Contract	Trading Range						
	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.1742	1.1772	1.1790	1.1820	1.1838	1.1867	1.1885
USDJPY	104.22	104.43	104.62	104.83	105.02	105.23	105.42
GBPUSD	1.2903	1.2947	1.2985	1.3029	1.3066	1.3111	1.3148
USDCHF	0.9013	0.9027	0.9051	0.9065	0.9089	0.9103	0.9127
USDCAD	1.3069	1.3102	1.3155	1.3189	1.3242	1.3276	1.3329
EURJPY	123.20	123.48	123.63	123.91	124.06	124.34	124.49
GBPJPY	135.41	135.84	136.18	136.61	136.94	137.37	137.71
CHFJPY	114.78	115.11	115.28	115.61	115.78	116.10	116.28
AUDJPY	74.00	74.23	74.44	74.67	74.88	75.11	75.32
EURGBP	0.8970	0.9005	0.9035	0.9070	0.9100	0.9135	0.9165
EURCHF	1.0690	1.0698	1.0708	1.0715	1.0726	1.0733	1.0743
GBPCHF	1.1680	1.1719	1.1770	1.1810	1.1860	1.1900	1.1951

Sources: News, Charts & Quotes (Courtesy: Reuters, US Department Of Treasury)

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Contact Details

IGI Commodity Team

Zaeem Haider Khan	(Head of Commodity)	Cell: 0321-4772883	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Syed Zeeshan Kazmi	(Manager)	Cell: 0321-4499228	Tel: (+92-42) 38303559-68	zeeshan.kazmi@igi.com.pk
Ehsan Ull Haq	(Commodity Trader - Lahore)	Cell: 0321-4861015	Tel: (+92-42) 38303559-68	ehsan.haq@igi.com.pk
Muhammad Naveed	(Branch Manager - Islamabad)	Cell: 0345-5599900	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	(Branch Manager - Faisalabad)	Cell: 0300-7660778	Tel: (+92-41) 2540843-45	Irfan.ali@igi.com.pk
Asif Saleem	(Branch Manager - Rahim Yar Khan)	Cell: 0334-7358050	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	(Branch Manager - Multan)	Cell: 0300-6348471	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2,
Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
Packages Mall
Tel: (+92-42) 38303560-69
Fax: (+92-42) 38303559

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road
Tel: (+92-68) 5871652-3
Fax: (+92-68) 5871651