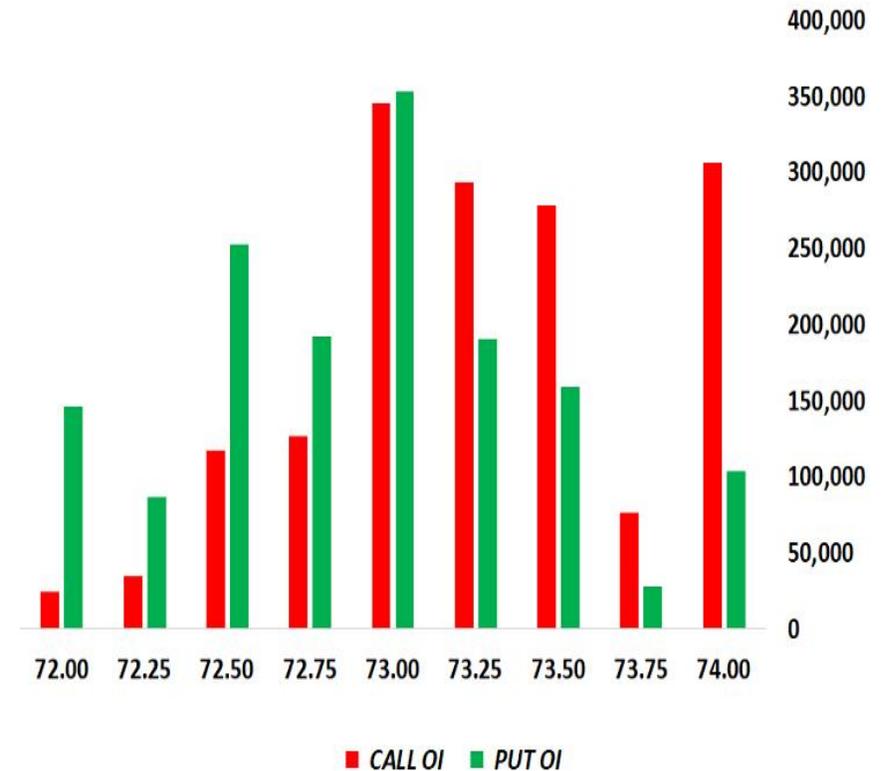




Watch out for *short squeeze risk* in USDINR

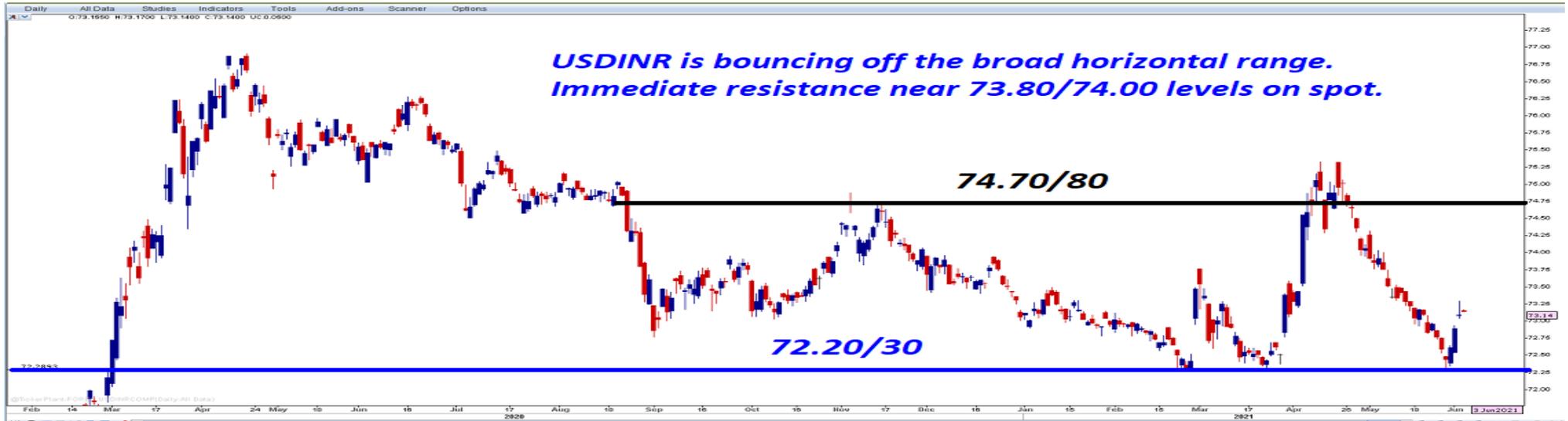


WEEKLY & JUNE END OPTION OPEN INTEREST



Short squeeze risk in USDINR

- ❑ With USDINR buy/sell swaps in demand and RBI moving away from the bid on the forwards, forward points have dropped sharply.
- ❑ At the same time, low realized volatility has drawn option sellers into the market with near OTMs sporting huge open interest.
- ❑ If the forward yield breaks down below April support and USDINR pushes through 73.50, then there can risk of a short squeeze of carry traders in futures/forwards and vol/gamma shorts in options markets.



USD/INR

➤ **Storyboard:**

- ❑ One can probably blame the sharp rise in oil prices, to 2 year high on push higher in USDINR. Forward premiums have come-off due to talk of large buy-sell swaps and lack of bids from RBI on the forwards. Lower forward premium offers lower incentive to short USDINR. However, keep an eye on massive short positions in OTM call options at and above 73.25 strike on NSE with expiries between this Friday and June end. If the shorts begin to cover, then it can trigger a sharp rise in prices.

➤ **Trade Pointer:**

- ❑ A broad range of 72.25 and 74.80 is underway. Near term resistance is near 73.40 on spot, followed by 73.80/74.00 levels. Momentum remains upward as long as the pair holds above 72.80 levels on spot.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	73.00	73.20	73.32	73.60	74.10



**EUR/USD
&
EUR/INR**

➤ **Storyboard:**

- ❑ German retail sales fell much more than expected in April by 5.5% following a 7.7% increase the month before, and versus expectations for a 2% drop. However, retails failed to have much impact on EURUSD. Unlocking will improve the situation. With ISM services and ADP employment report to be released from US, EURUSD can be in for a volatile evening session.

➤ **Trade Pointer:**

- ❑ EURUSD remains in uptrend but maintain stop below 1.2130 levels. EURINR to remain rangebound.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
EURINR	87.95	88.20	88.35	88.50	88.85



➤ **Storyboard:**

- ❑ With UK government sticking to their June 21st deadline for complete reopening, GBPUSD may find takers at lower levels. The economic data will continue to improve and like US, in UK the housing market remains buoyant. However, what's going against GBP is record speculative long positions. Therefore, we may get more rangebound price action.

➤ **Trade Pointer:**

- ❑ Wait for GBPUSD to trade near 1.41 to go long with stop below 1.4070, target 1.4230/50. GBPINR to remain rangebound.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
GBPINR	103.20	103.50	103.69	103.85	104.15

GBP/USD
&
GBP/INR

**USD/JPY
&
JPY/INR**



➤ **Trade Pointer:**

- ☐ USDJPY remains a buy on decline with stop below 108.50. Target 111.00. JPYINR remains in a bearish trend.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
JPYINR	66.30	66.60	66.79	66.90	67.20

FPI FLOWS

(\$ Million)		
MONTH	EQUITY	DEBT
Jul-20	1,018	(568)
Aug-20	6,294	368
Sep-20	(1,052)	896
Oct-20	2,661	314
Nov-20	8,132	326
Dec-20	8,420	1,227
Jan-21	2,658	(660)
Feb-21	3,539	(246)
Mar-21	1,444	902
Apr-21	(1,294)	108
May-21	(389)	131
Jun-21	784	(11)
LTTM	31,431	2,667

- The three macro factors that drive the value of USDINR: (i) Carry trade done by speculators by selling USDINR forwards/futures and rolling it (ii) FDI & FPI flows (iii) RBI intervention.
- Along with macro and technical factors, Intermarket has significant impact on USDINR. Keep an eye on (i) US Dollar Index (ii) Global equity indices (iii) Oil prices- The negative impact of oil on Rupee is more pronounced when period of high oil prices coincide with period of USD shortage (iii) Asian currencies against US Dollar
- June started off well after a lackluster first two months of FY22 in terms of flows into equity segment.

Disclaimer

- Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +2267132430. Website: www.kotak.com / www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137(Member of NSE, BSE, MSE, MCX & NCDEX). Member Id: NSE-08081; BSE-673; MSE-1024; MCX-56285; NCDEX-1262. AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97.
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