

INR Pairs (Trading Range for the Day – May Futures)				
	USDINR	EURINR	GBPINR	JPYINR
LTP (% Change)	76.67 (-0.03)	80.77 (-0.08)	95.75 (-0.69)	59.01 (-0.11)
Intraday View	Downward	Downward	Downward	Downward
Technical Range	76.45-76.85	80.55-81.00	95.55-95.95	58.80-59.20

Important Indicators		
	DXY	BRENT CRUDE
LTP	103.52	105.92
1W back	102.99	105.19
1M back	98.90	107.88



USDINR Futures (May)

US central bank meeting is underway and the outcome will be known tonight. Fed is expected to hike rates by 50 bps and by 200 bps thereafter over the 5 meetings till December. No other central banker is expected to tighten rates this fast but the context needs to be understood. US central bank, along with their peers in the developed markets had taken real rates (post inflation interest rates) into deeply negative territory. For example, the yield on US 1 year bond is around 2.12% and CPI inflation is expected to have touched 8% in March, leaving the real rates near negative 6%. That's the reason why the US Dollar has done so well against almost all of the developed market currencies as the central banks of these nations are not so quick in reducing the deeply negative rates on their currencies. However, in the emerging markets, CPI inflation in several of these economies is well below what it is in the DM economies, and they also have far higher interest rates. This kept the EM currencies stable against the US Dollar.

USDINR is sitting pretty on the lap of the option sellers. The rangebound price action between 76.10 and 76.75 on spot has allowed them to generate decent risk-adjusted returns. But as we have seen in the past, the longer the USDINR remains within a well-defined, the greater becomes the probability of a shift in that range, upward or downward. In this case, with RBI intervening aggressively to prevent USDINR from moving above 77 and the 21,000 crore LIC IPO adding the FPI flows, an upward shift in range appears unlikely. Therefore, markets may have to wait for \$ to soften globally, before doing a downward shift in the range. Therefore, for now, we have to focus on short option strategies, even though the implied vols are low. One can even do hedged strategies, in order to avoid an unexpected range breakout or breakdown.

GBPINR Futures (May)

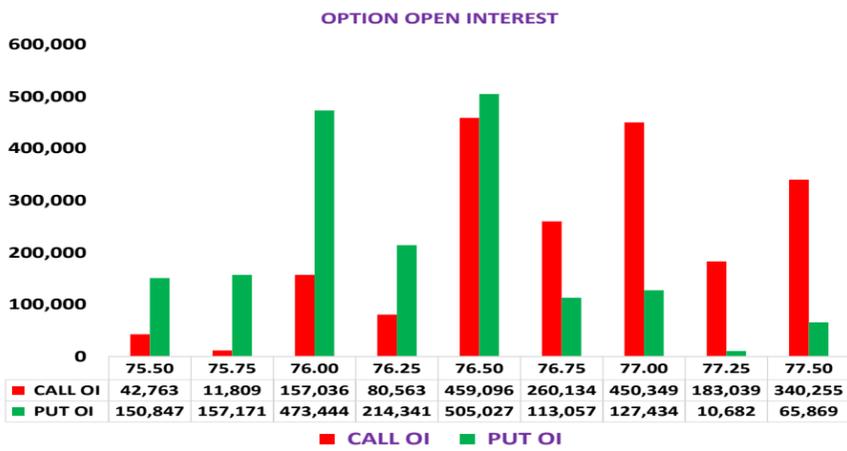
UK manufacturing PMI edged up in April but internals was weak. It painted a picture of concerns of manufacturers as they face supply chain issues and high inflation. That is the reason why GBPUSD failed to rally on the news. GBPINR is going to gap down today. GBP pairs are oversold but they need a lift from the central banks. Tonight, is US Fed and tomorrow evening is the Bank of England. If Fed can trigger \$ softness tonight, followed by a hawkish surprise from BOE, then GBPUSD and GBPINR can see a strong short-covering rally. Therefore, we would advise traders to avoid taking large positions overnight till the BOE meeting is over.

EURINR Futures (May)

ECB board member Isabel Schnabel sounded hawkish by saying that she thinks ECB may need to raise interest rates as soon as July to stop "extremely high" inflation from getting entrenched. Several board members of ECB have alluded to a July hike but their boss, Ms. Lagarde remains unconvinced. However, things can change between now and July and if traders get convinced that ECB will unanimously opt for a rate hike in July, then Euro has ground to cover on the upside, as shorts rebalance their positions. However, for this week it will be tonight's Fed decision that will decide the fate of the Euro. Therefore, we can see high volatility in EURINR tomorrow.

JPYINR Futures (May)

With Japanese financial markets having holidays till tomorrow, USDJPY is quite ahead of tonight's US FOMC. Therefore, we expect little movement today in JPYINR, which may be slightly due to the drift in USDINR. All in all, a rangebound play is in store. However, tomorrow we can see volatility rise. Avoid taking large positions in Rupee crosses tonight.



	Spot	Futures	
		Weekly Expiry 06-May-22	Monthly Expiry 27-May-22
USDINR LTP / (Previous Day)	76.45 / (76.51)	76.49 / (76.54)	76.60 / (76.71)
ATM Vols (in %)	76.50	5.66%	7.64%
ATM Straddle Price		0.35	0.87

Historical Volatility	
5 days Rolling	5.45%
21 days Rolling	5.82%

What Options Open Interest (OI) Saying?

Option sellers are betting on a rangebound play. Weekly IV to fall post US FOMC.