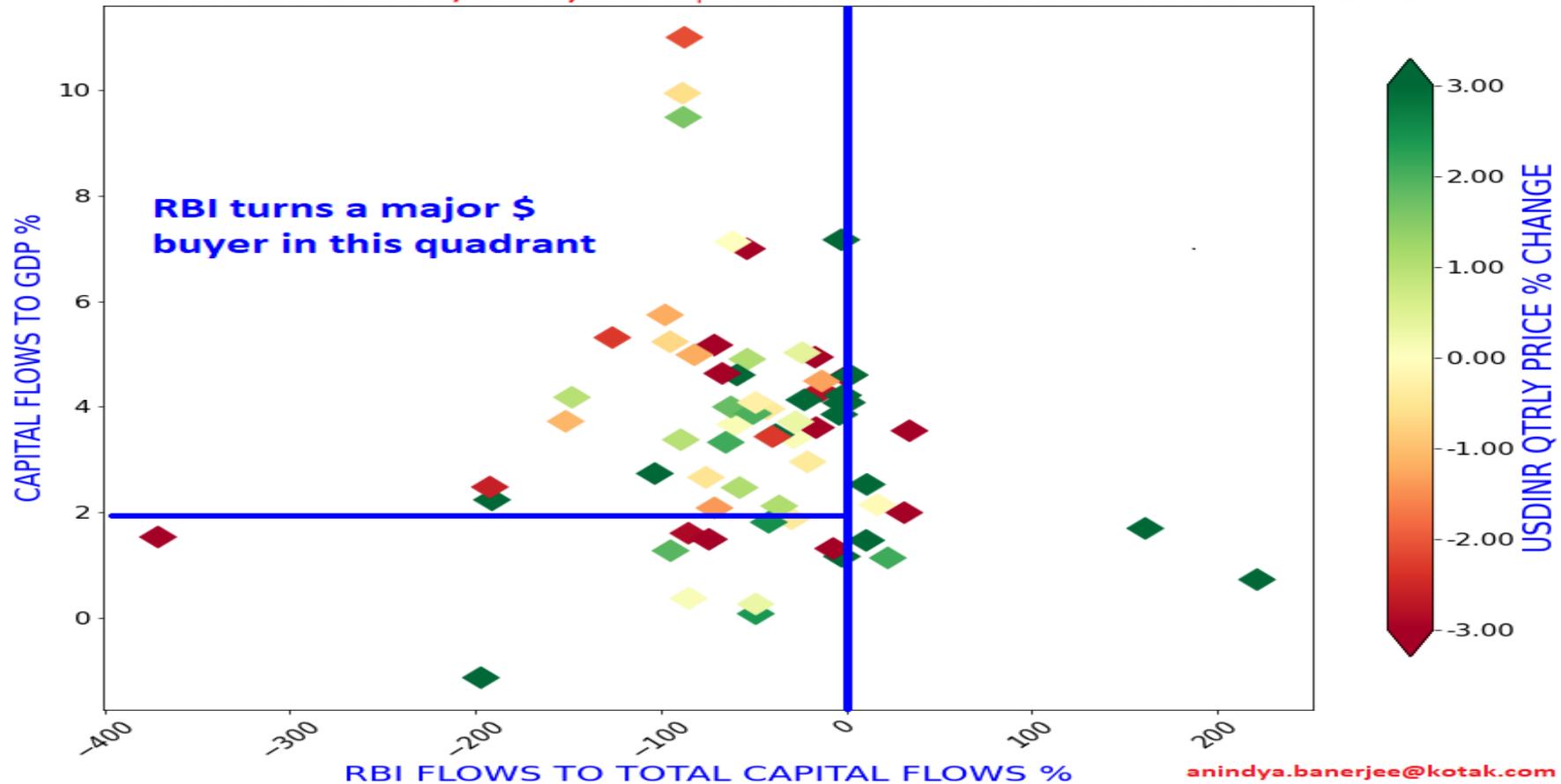




## ***USD flexing muscles against major currencies***

*Anindya Banerjee, CMT, CFTe, CCRA*

## INDIA : CAPITAL FLOWS/GDP, RBI \$ PURCHASE & USDINR MOVEMENT



RBI  
&  
Flows

- ❑ **RBI flows to capital flows** : A negative number means, RBI has bought USD in spot. RBI purchases are capital outflows. Similarly a positive number denotes RBI sold \$, as it means capital inflows. This shows % of total capital flows either has been mopped by RBI (-ve) or provided by RBI (+ve).
- ❑ **RBI begins to aggressively mop up capital flows, when they have reached more than 2% of GDP** in a quarter. This is to ensure, Rupee does not appreciate as much as it peers.



# USD/INR

➤ **Storyboard:**

- ❑ The unscheduled press conference from the RBI was mostly a non-event for the Rupee markets. Interestingly the forward premium has cooled with 1-month now down from 68 paise over spot yesterday’s high to 41 now. RBI may have nudged the PSU banks to enter into buy-sell swaps to cool-down the premium. As the premium cools-off, it may support the spot.

➤ **Trade Pointer:**

- ❑ USDINR is in near term downtrend within a broad range. Sell on rise with stop above 74.30 on spot reference on a closing basis. Target 73.60 and 73.20 on spot.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	73.90	74.20	74.31	74.50	74.70



**EUR/USD  
 &  
 EUR/INR**

➤ **Storyboard:**

- ❑ It was not the US Fed members who sounded a mild alarm over rising inflationary pressures, but this time it was erstwhile Fed governor and now US Treasury Secy, Ms. Yellen. It was interesting to see her say that interest rates may have to rise to prevent overheating of the US economy. US Dollar did pop on the news, especially against the Euro but it failed to translate into broad based strength.

➤ **Trade Pointer:**

- ❑ EURUSD remains in downtrend but nearing a key support near 1.1970 levels. EURINR remains weak as well.

➤ **Levels to watch:**

<b>Futures</b>	<b>S2</b>	<b>S1</b>	<b>CMP</b>	<b>R1</b>	<b>R2</b>
<b>EURINR</b>	<b>88.75</b>	<b>89.05</b>	<b>89.20</b>	<b>89.45</b>	<b>89.70</b>



# GBP/USD & GBP/INR

## ➤ Storyboard:

- ❑ GBP is waiting for a trigger to help it breakout from the multi week sideways range. Tomorrow's Scottish elections are an event risk but even if the pro-Independence parties get a majority, it does not mean that it leads to a clear path towards Scottish referendum. Hence, GBP remains underpinned by a strong UK economy.

## ➤ Trade Pointer:

- ❑ GBPUSD remains in an uptrend. However, near term price action suggests a range between 1.3660 and 1.4020 levels. Buying on decline is advised as long cable is not breaking down below 1.3650. Target 1.4020.

## ➤ Levels to watch:

Futures	S2	S1	CMP	R1	R2
GBPINR	102.80	103.10	103.26	103.50	103.80

**USD/JPY  
&  
JPY/INR**



➤ **Storyboard:**

- ❑ Rising US yields and risk on mood in financial markets have allowed USDJPY to push higher.

➤ **Trade Pointer:**

- ❑ USDJPY is a buy on decline with stop below 107.40. Target 110.95/111.00. Due to a combination of strong USDJPY and flat USDINR, JPYINR remain under selling pressure.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
JPYINR	67.55	67.80	67.91	68.10	68.35

# FPI FLOWS

( \$ Million)		
MONTH	EQUITY	DEBT
Jun-20	2,890	552
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	(651)	(117)
<b>LTTM</b>	<b>34,059</b>	<b>3,219</b>

- 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.
- Alongwith 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
- Once COVID situation improves, FPI flows can pick up pace, which will be positive for the Indian Rupee.

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