

INR Pairs (Trading Range for the Day – May Futures)				
	USDINR	EURINR	GBPINR	JPYINR
LTP (% Change)	76.84 (0.33)	81.02 (-0.02)	95.12 (-0.54)	58.94 (-0.08)
Intraday View	Upward	Downward	Downward	Rangebound
Technical Range	76.60-77.10	80.75-81.30	94.85-95.35	58.75-59.15

Important Indicators		
	DXY	BRENT CRUDE
LTP	103.57	111.42
1W back	103.10	106.49
1M back	99.61	101.69



USDINR Futures (May)

US Dollar Index is trading near the levels last seen in December 2002 and equity markets are under pressure. But in spite of these two, oil prices are not selling-off. Generally, poor risk sentiment and a super-strong US Dollar weigh on the oil prices but not this time around. This is a cocktail of negatives for EMs, who are not major oil producers, like India. The high inflation around the world is a result of demand surges, slow pace of growth in supply, supply bottlenecks, and finally war. If supply cannot rise to cool-off prices, demand has to come down. As the saying goes, the cure for higher prices is even higher prices. It does both, on one hand, it decimates demand and on the other, it boosts supply. A major contraction of demand takes economies into recession. Therefore, the Bank of England is right in saying that recession risks are very high. This is the first 'Agnipariksha' for a whole army of investors/traders who entered markets since COVID. They have been used to seeing volatility fall and markets rise. But over the past few months, they began to experience the other side of markets, that it can whiplash bulls and bearish, and volatility itself can become extremely volatile.

Interestingly it is not just high prices of goods and services but even the cost of money. The turbo-charged US Dollar and rising bond yields in the US, will at some point break the back of the US economy. Just like how high prices needed to break demand for those goods and services, similarly high USD and rates needed the break the super hawkish will of the US Fed. But between now and till those breakpoints appear, global markets have to brace for bouts of massive volatility.

The rupee is being buffeted by high relative real rates and massive RBI intervention. Structural flows and IPO-related flows are additional supports. But the risk is rising as well. Till this range of 76.00 and 77 persists, one can continue to focus on short strangles and short straddles. But do not forget to hedge yourself if the breakout occurs. At the same time, ratio call spreads can be done if you are looking to bet on an upside move, but at zero or negative cost.

GBPINR Futures (May)

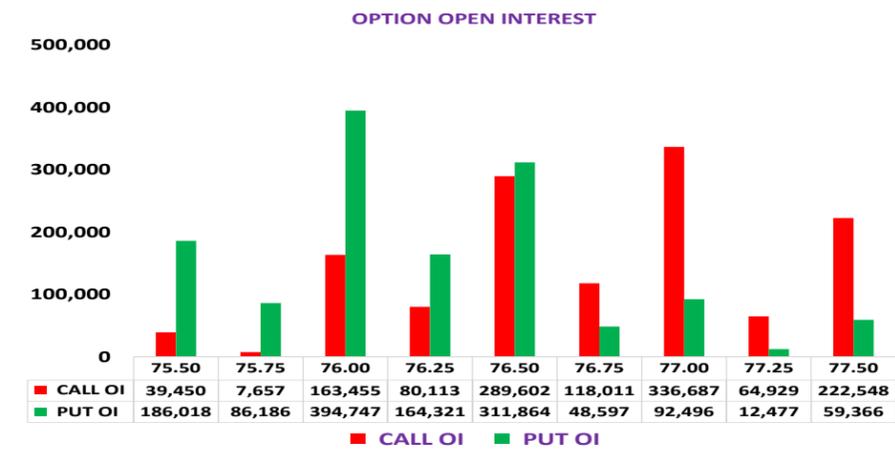
Yes, BOE hiked as expected, by 25-bps but it was the comments from the governor that knocked GBPUSD out of the park. BOE said that inflation can rise towards 10% before the end of this year and the high cost of living can weigh on consumption so badly that the economy can risk slipping into recession early next year. As a result, BOE will go slow on outright bond sales and just keep it under deliberation. Traders were looking for a hawkish and sanguine BOE but instead, they got an unsure and cautious one and they did not like that. GBPUSD and GBPINR can continue to face more downside as multiple headwinds drag the pair lower.

EURINR Futures (May)

EURUSD came under pressure as US bond yields surged towards 3.07%, the highest level since Nov 2018. Some ECB members have repeatedly warned of a rate hike in July but that is not enough to spur demand for the currency. Today's focus will be on the US jobs report. A strong report can send EURUSD and EURINR even lower.

JPYINR Futures (May)

USDJPY is lacking the momentum as an aggressively short JPY positioning is not allowing for another spiral higher. However, a combination of strong US bond yields and strong oil prices are negatives for JPY but at the same time, weakness in the equity market is supportive. As a result, JPYINR may remain rangebound.



	Spot	Futures	
		Weekly Expiry 13-May-22	Monthly Expiry 27-May-22
USDINR LTP / (Previous Day)	76.70 / (76.25)	76.75 / (76.38)	76.88 / (76.50)
ATM Vols (in %)	77.00	6.24%	6.11%
ATM Straddle Price		0.56	0.90

Historical Volatility	
5 days Rolling	7.07%
21 days Rolling	6.01%

What Options Open Interest (OI) Saying?

USDINR VIX can rise if USDINR manages to break past 77 levels on spot. Option sellers betting on 76.00 and 77 range.