



RBI strikes a dovish tone....

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USD/INR

➤ **Storyboard:**

- ❑ RBI announced fresh variable reverse repo auctions for long tenor to warehouse money market liquidity. At the same time, RBI packages recurring OMOs under G-SAP program with INR 1 lakh crore buying to be done during Q1FY22. Impact will be softening of forward yields in USDINR, upside in spot and cooling of Gsec yields.

➤ **Trade Pointer:**

- ❑ USDINR is stuck within a range on charts, between 72.20 and 73.80. Global and domestic narratives are not strong enough to sustain a strong trend. Hence, short gamma/vega strategies can be employed. Futures trades are shorts in the 73.50/80 zone with a stop above 73.90 on spot basis.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	73.50	73.75	73.98	74.10	74.50



**EUR/USD
&
EUR/INR**

➤ **Storyboard:**

- ❑ Finally some good news from Eurozone on the vaccination front. Media reports suggests that Eurozone nations may be able to vaccinate majority of their population before June. This will allow their economies to recover sooner than expected. However, the current pace remains quite slow when compared with US and UK.

➤ **Trade Pointer:**

- ❑ EURUSD is getting a lift from a broad weakness in the US Dollar. However, there is significant overhead resistances. EURINR remains in a downtrend. EURINR see more upside due to upside risk in USDINR.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
EURINR	87.30	87.60	87.81	88.00	88.35



GBP/USD
&
GBP/INR

➤ **Storyboard:**

- ❑ Thanks to rapid vaccinations, UK's earlier economic reopening begins this month. Pent up demand and fiscal stimulus can cause economic activity to rebound strongly. However, with US too experiencing a robust and broad based rebound, there is little divergent policy play between GBP and USD, but there is between EUR and GBP.

➤ **Trade Pointer:**

- ❑ GBPUSD remains in a primary uptrend. But the near term price structure is quite choppy. Hence, would advise waiting on sidelines to buy the pair at lower levels. GBPINR may move higher if USDINR breaks out above 73.80.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
GBPINR	101.65	101.95	102.20	102.35	102.70

**USD/JPY
&
JPY/INR**



➤ **Storyboard:**

- ❑ A cool-off in US bond yields and a softness in the Dollar has pulled USDJPY down.

➤ **Trade Pointer:**

- ❑ USDJPY has support near 109.30 and 108.50. Due to a combination of soft USDJPY and strong USDINR, JPYINR futures can move upwards.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
JPYINR	66.90	67.20	67.38	67.50	67.90

FPI FLOWS

(\$ Million)		
MONTH	EQUITY	DEBT
May-20	1,929	(2,902)
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	(320)	71
LTTM	37,613	280

- 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
- After record inflows during FY21, all eyes on several macro factors which will decide flows into FY22. If the EM over DM theme gains further traction this FY, then inflows can be quite high. But there are also several factors which can cause short term volatility inflows, like Fed’s exit from easy money and China’s fading growth momentum.

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