

INR Pairs (Trading Range for the Day – May Futures)				
	USDINR	EURINR	GBPINR	JPYINR
LTP (% Change)	77.37 (-0.17)	80.51 (-0.45)	94.55 (-0.14)	60.07 (-0.26)
Intraday View	Range bound	Downward	Downward	Range bound
Technical Range	77.20-77.60	80.25-80.75	94.30-94.80	59.80-60.35

Important Indicators		
	DXY	BRENT CRUDE
LTP	104.69	109.50
1W back	103.18	113.03
1M back	99.84	108.79



**USDINR Futures (May)**

India's April CPI inflation surged to an 8-year high, a whisker away from 8-handle. Not just the headline, even core inflation has scaled similar heights. At the same time, industrial production growth surged in March compared with February at a double-digit pace. A strong economy and surging inflation call for RBI to tighten monetary policy by in June meeting. The money market is betting on RBI to raise rates by around 150 bps over the next 12/18-months, taking the repo rate to 6%. However, there is increased speculation that RBI may want to flatten an exceptionally steep yield curve. This can be done using regulatory incentives to let banks buy more of GOISecs, switch, and even outright OMOs. However, OMOs can complicate things as RBI themselves have said that excess liquidity as a share of NDTL is around 150 bps, and augmenting liquidity can be inflationary.

RBI has managed to keep the Rupee near the median level against a basket of currencies in the emerging markets and developed markets. RBI may continue to do so, by selling aggressively when the Rupee attempts a sharp depreciation. For example, in May, Rupee has been one of the weakest and that means, RBI may remain aggressive on short \$ interventions. Therefore, trading becomes tricky. As long as prices remain range-bound, short straddle and strangle or iron fly would make money. As the bias is still upward, buying on decline can be done but only when prices are close to 77.00/77.20 as stops need to be below 76.90 levels on futures. Ratio call spreads can also be considered.

**GBPINR Futures (May)**

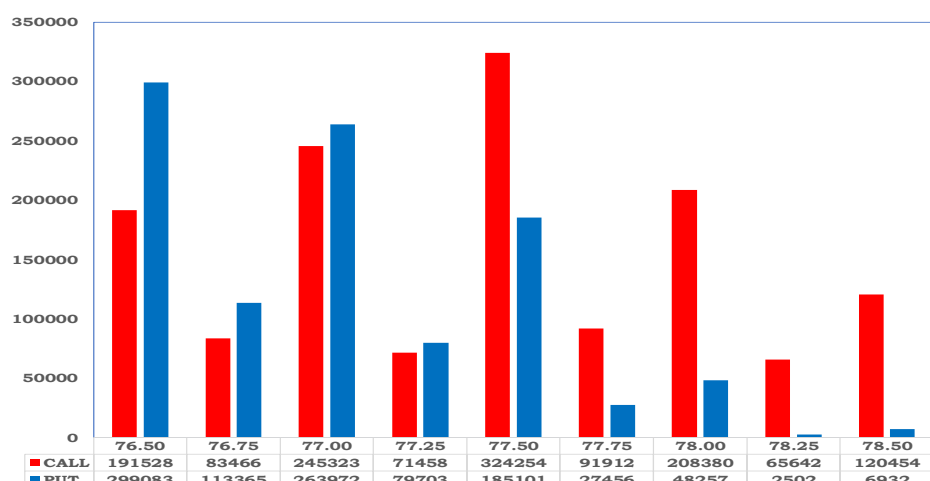
Yesterday even though GBPUSD was weak but it fared well compared with the EURUSD. However, a strong dollar index and fragile risk sentiments drove GBP pairs lower. Comments by US Fed chief that lowering inflation remains his top priority. That means Fed is ready to see weaker economic growth and lower asset prices to get rates higher. Therefore, USD will remain in demand, and hence our bias continues to be downward in GBPUSD and GBPINR.

**EURINR Futures (May)**

Yesterday Euro was whacked on the news that Russia has sanctioned Europol GAZ SA, the owner of the Polish part of the Yamal-Europe gas pipeline. Russia also sanctioned units of Gazprom Germania. These are gas players and have raised the risk of lower supplies of gas to Europe. This news, along with an unwinding of the yen carry trade, pushed EURUSD and EURJPY sharply lower. EURINR will gap down at the open. The bias remains downward.

**JPYINR Futures (May)**

An unwinding of the yen carry trade pushed JPYINR higher as USDJPY fell sharply. Today, we could see more range-bound price action. Softening in US bond yields triggered a sharp reversal in yen carry trades.



	Spot	Futures	
		Weekly Expiry 20-May-22	Monthly Expiry 27-May-22
USDINR LTP / (Previous Day)	77.31 / (77.41)	77.34 / (77.48)	77.40 / (77.54)
ATM Vols (in %)	77.50	5.87%	6.09%
ATM Straddle Price		0.52	0.74

Historical Volatility	
5 days Rolling	8.96%
21 days Rolling	6.52%

**What Options Open Interest (OI) Saying?**

Option sellers are betting on prices to drift higher with 77 support. Implied volatility has come-off due to suspected RBI interventions.