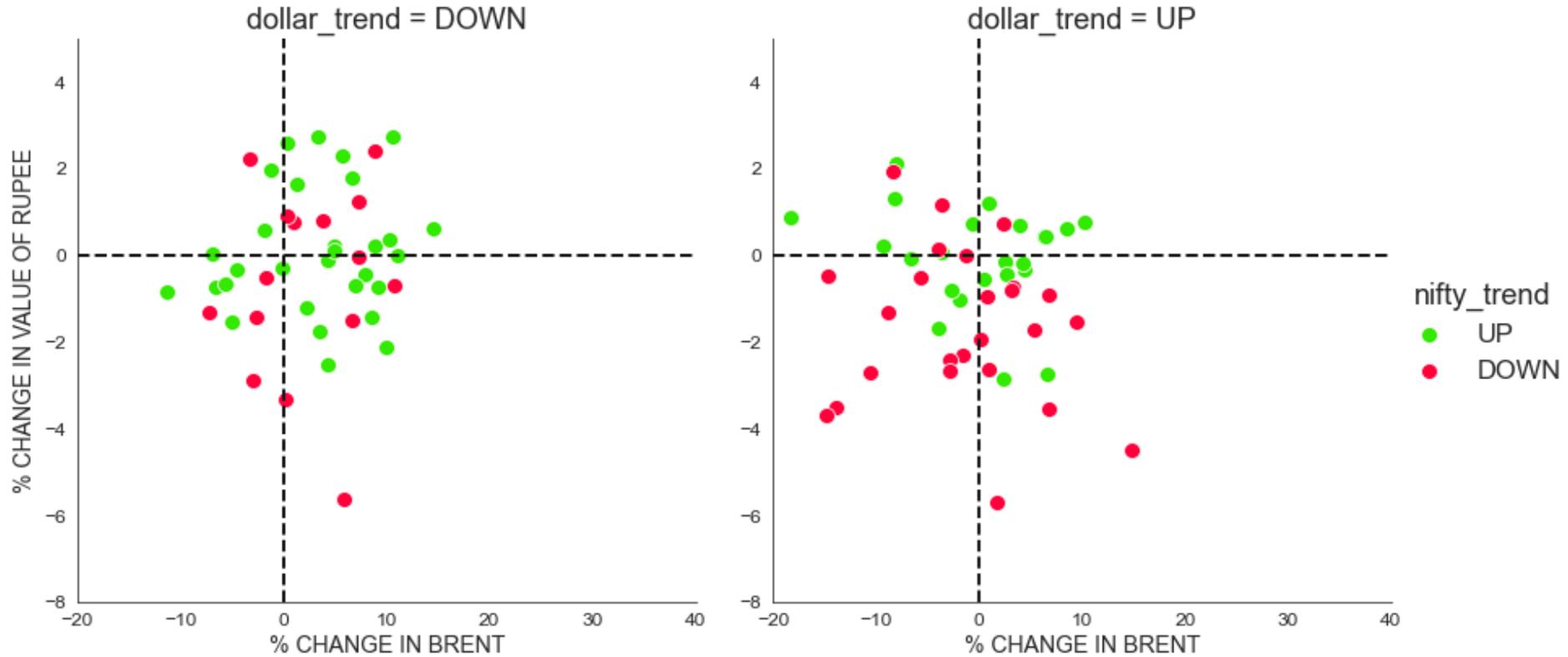




Volatility is going to increase in days ahead...

Impact on Rupee



- ❑ Data points in the above scatterplot: monthly % change in nominal value of Rupee computed by BIS against a basket of currencies, aka, **Rupee index**. Then monthly % change in **Nifty** and **US Dollar Index of BIS**.
- ❑ Scatterplot shows that **Rupee is most vulnerable to oil prices when US Dollar is trading higher instead of lower. If Nifty is weak, then it's a huge bonus.** However, during times of weak USD, higher oil prices, risk on mood in markets and carry trade blunts the impact of oil on Rupee.
- ❑ **If oil continues to climb and test \$80, then during periods of USD strength, Rupee can come under speculative attack, especially with large scale short positions via carry traders and option writers.**



USD/INR

➤ **Storyboard:**

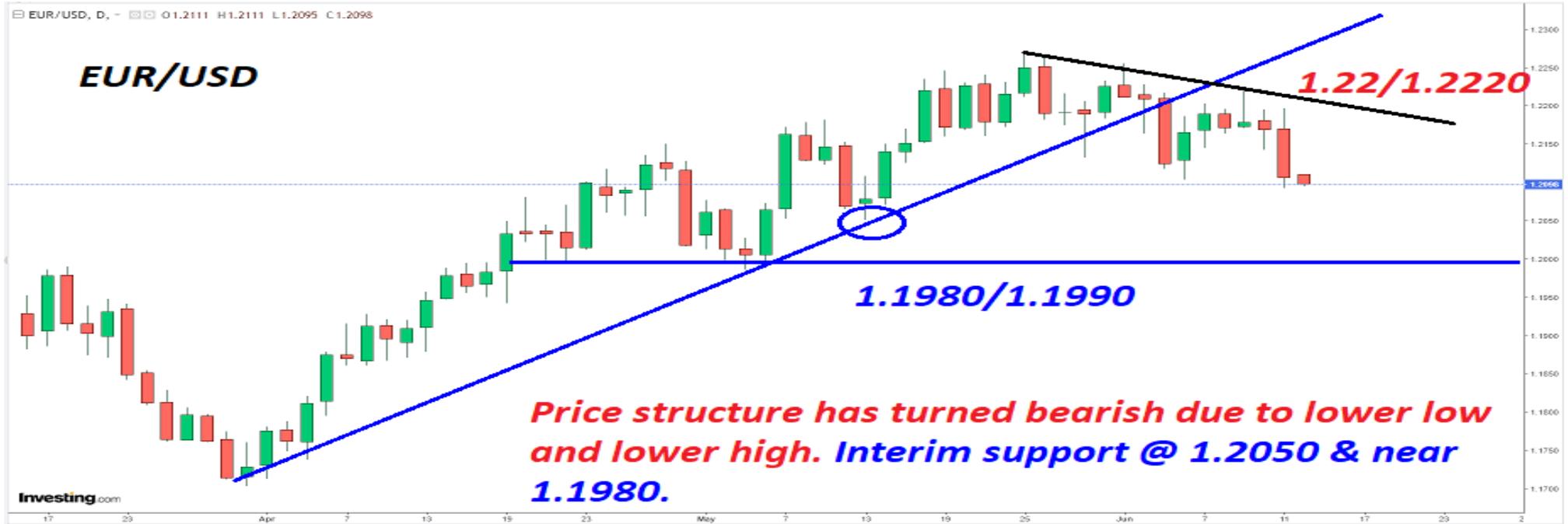
- ❑ The combination of strong US Dollar and rising oil prices is not a common phenomenon but when it occurs, especially when oil is above 70 dollars, it becomes a major drag for Rupee. However, much rides on the Wednesday's FOMC. They need to sound hawkish, which is not what consensus is betting on, for USDINR to breakout above the key resistance levels to head towards 74.25 on spot.

➤ **Trade Pointer:**

- ❑ The range has narrowed to 72.75 to 73.35. A clear breakout is needed above 73.35 to signal that the ride has turned decisively in favour of USD bulls. **There is over half a yard of OI outstanding in 73.25/73.50 call options.** A short squeeze past 73.50 on June futures can trigger a run for cover from call writers.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	72.90	73.10	73.24	73.45	73.55



EUR/USD
&
EUR/INR

➤ **Storyboard:**

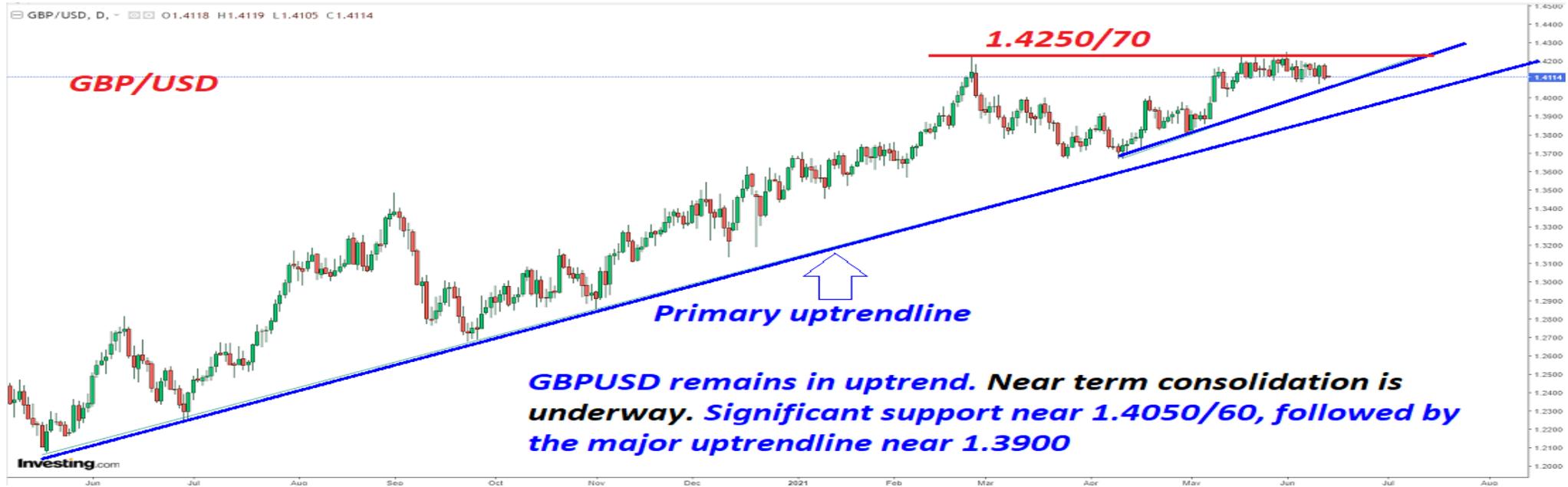
- ❑ In a FOMC week, EURUSD will be driven by US Fed rhetoric, than anything else. Yield differentials have turned in favour of USD but how long that sustains depends on US central bank. If Fed sounds hawkish and drops a clear hint of taper, then Euro can come under further selling pressure.

➤ **Trade Pointer:**

- ❑ Trend has turned bearish. As long as prices are not breaking out above 1.22, downward bias will remain. Major support near 1.1980/1.2000 zone.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
EURINR	88.30	88.50	88.67	88.80	89.05



**GBP/USD
&
GBP/INR**

➤ **Storyboard:**

- ❑ EU last week threatened to impose tariffs on the UK over the UK's resistance to fully implementing the Northern Ireland protocol, a key part of the Brexit Withdrawal Agreement. A fresh round of EU-UK trade war coupled with delay in 'full scale reopening' in UK by a few weeks is dragging cable lower. Record speculative longs remains an added pain point.

➤ **Trade Pointer:**

- ❑ GBPUSD is corrective phase with 1.4050 and 1.3900 acting as major support levels. GBPINR is also in a consolidation phase between 102.50 and 104.10.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
GBPINR	102.95	103.20	103.33	103.50	103.75

**USD/JPY
&
JPY/INR**



➤ **Trade Pointer:**

- ❑ USDJPY remains a buy on decline with stop below 108.35. Target 111.00. JPYINR remains in a bearish trend.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
JPYINR	66.40	66.60	66.74	66.90	67.10

FPI FLOWS

(\$ Million)		
MONTH	EQUITY	DEBT
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	(389)	131
Jun-21	2,131	(323)
LTTM	33,562	2,475

- 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.
- Along with 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
- June started off well after a lackluster first two months of FY22 in terms of flows into equity segment.

Disclaimer

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