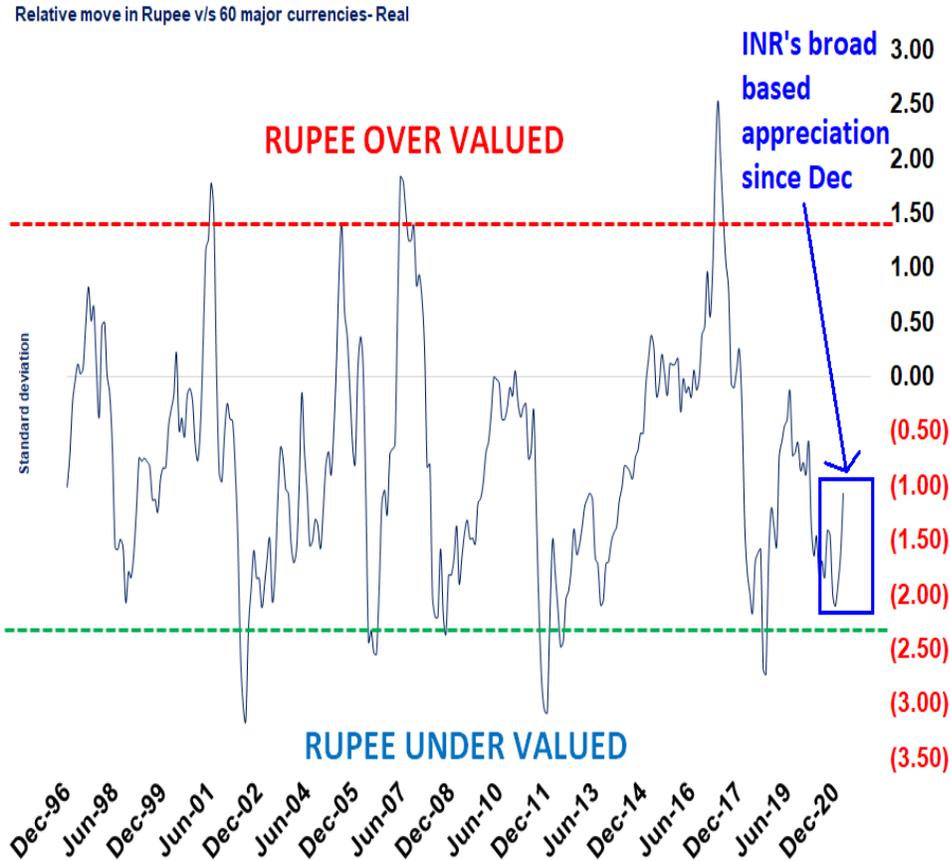




Rupee remains one of the strongest in **Asia**...

Anindya Banerjee, CMT, CFTe, CCRA

MACRO STORY



- ❑ Rupee has appreciated by an average 2.5% since December end, against a basket of major currencies.
- ❑ The high forward yield, low volatility and robust flows towards EMs is fueling carry trades in the Rupee.
- ❑ If Rupee were to follow its historical pattern, then Rupee may appreciate another 3%-4% against a basket of currencies (not necessarily against USD). However, that will require the global environment to remain favourable towards emerging market currencies.



USD/INR

- **Recap:** Rupee started the FOMC week in style by appreciating by nearly 30 paise against USD to close near 72.60 on March futures, highest level against USD since Feb 25th. Large corporate \$ inflows ensured sharp gains in the currency.
- **Markets' today:**
 - O/n with major equity indices closing at a record high, mood remains quite jubilant in Asian equity space.
 - Major markets may see subdued volatility ahead of tomorrow's key US central bank meeting.
 - SGX Nifty is showing that onshore Nifty may open with a 70 point gain and USDINR March may open flat.
- **Trade Pointers:**
 - USDINR, like most major markets have become news driven due to lack of dominant theme.
 - As long as the spot remains below 73.60, bias remains bearish. Sell on rise. But above 73.60, turns neutral.
- **Levels to watch:**

Futures	S2	S1	CMP	R2	R1
USDINR	72.30	72.50	72.62	72.85	73.00



➤ **Recap:** EURINR March closed at the lowest level since Nov 2nd near 86.70, down 25 paise. Weak macro economic scenario in Eurozone and robust \$ inflows into India are factors driving the pair down.

➤ **Economic data:** There are number of economic releases scheduled from US and Eurozone. First up is the economic sentiment indicator from Germany. Later in the evening focus will shift to US retail sales and industrial production data. The underlying theme remains of US economy continuing to outperform Eurozone economy.

➤ **Markets' today:**

- If German ZEW remains soft then EURINR can come under further selling pressure.

➤ **Trade Pointers:**

- EURUSD is in bearish price trend. Sell on rise as long as the pair holds below 1.20 levels.
- A weak EURUSD and rangebound USDINR means EURINR a sell on rise for a target of 85.80/86.00.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R2	R1
EURINR	86.10	86.45	86.70	86.85	87.10

EUR/USD

&

EUR/INR



**GBP/USD
 &
 GBP/INR**

- **Recap:** GBPINR Mar fut closed 35 paise weaker, near 101.15 levels. Weakness in GBPUSD and USDINR caused the fall.
- **Markets' today:**
 - ❑ **UK remains in far better shape than Eurozone** as far economic growth expectation, central bank policies and vaccination goes. This will allow GBPINR to continue to outperform EURINR.
 - ❑ **Upside in GBPINR may remain capped** till US Fed as massive overhang of speculative longs in GBPUSD (highest in nearly 3 years) may not allow the pair to move higher, especially when USD remains strong against Euro, thanks to rising US bond yields.
- **Trade Pointers:**
 - ❑ GBPUSD is in uptrend. Buy on decline advised with stop on a close below 1.3700 levels.
 - ❑ Wait for GBPINR Mar fut to test support zone near 100.15, where longs can be considered.
- **Levels to watch:**

Futures	S2	S1	CMP	R2	R1
GBPINR	100.20	100.55	101.15	100.95	101.25

**USD/JPY
&
JPY/INR**



➤ **Recap:** JPYINR front month futures is near 1 year low, with March contract closing near 66.63, down 27 paise. Rise in US bond yields and weakness in USDINR are responsible for the sharp plunge in JPYINR.

➤ **Trade Pointers:**

- ❑ **USDJPY remains in an uptrend.** It has potential to test 110.10/110.30 levels.
- ❑ **JPYINR remains in a downtrend.** Sell on rise. Major resistance zone is between 67.00/67.30 on March fut.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R2	R1
JPYINR	66.20	66.45	66.63	66.75	67.00

FPI FLOWS

(\$ Million)		
MONTH	EQUITY	DEBT
Apr-20	(904)	(1,057)
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	460	(968)
FY21	35,585	(1,750)

- 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
- Equity inflows are back in the green. In FY21, except for April and September, FPI flows have been positive in the equity segment. **However, debt continues to witness relentless outflows, due to adverse macro mix and high borrowing.**

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- Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +2267132430. Website: www.kotak.com / www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137(Member of NSE, BSE, MSE, MCX & NCDEX). Member Id: NSE-08081; BSE-673; MSE-1024; MCX-56285; NCDEX-1262. AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97.
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