



All eyes on *US Fed meeting* tonight...

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USD/INR

- **Recap:** Ahead of the important US central bank meeting, USDINR remained flat, near 72.62 levels on March futures.
- **Markets' today:**
 - O/n US stocks and now Asian equity indices, all trading flat as traders await US FOMC meeting tonight.
 - US Dollar has managed to shrug off a sharp contraction in US retail sales for the month of Feb. As a result, most currencies in Asia are trading flat.
 - Though Brent crude has pulled back to \$68, but US 10 year bond yields are still at 13 month high.
- **Trade Pointers:**
 - USDINR futures is able to attract sellers thanks to the significantly higher carry (futures/fwd premium).
 - 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



EUR/USD
&
EUR/INR

- **Recap:** EURINR March futures closed 10 paise higher at 86.80, after a stronger than expected investor sentiment data from Germany (ZEW). However, the pullback is corrective in nature and downtrend may resume soon.
- **Economic data:** German investor sentiment rebounded strongly in Feb. However, markets will not pay much attention to that data as due to slow vaccination in Eurozone, re-opening will be slow and that will be bad news for the Eurozone’s economy.
- **Markets’ today:**
 - ❑ Tonight’s Fed meeting is an important event for EURINR and EURUSD traders.
- **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	86.00	86.30	86.80	86.65	87.00

**USD/JPY
&
JPY/INR**



➤ **Recap:** JPYINR March futures closed flat around 66.60 levels. Traders remained cautious ahead of US FOMC.

➤ **Trade Pointers:**

- USDJPY remains in an uptrend.** However, exercise caution as the pair is near a major resistance zone.
- 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	66.60	66.75	67.00



MACRO STORY

- ❑ **US 10 year bond yield has risen by 110 bps from the August lows.** Mainly due to expectation of higher inflation, followed by strong economic growth.
- ❑ **US Fed chairman Mr. Powell has till now downplayed the rise.** If he continues to do so in tonight's meeting then US 10 year yields can rise towards 1.92%. That may have adverse impact on risk assets and EM currencies.
- ❑ **Focus will be on Fed's projection for GDP,** which is expected to be revised upwards to 6% for 2021, with forecast for core inflation around 2% and unemployment rate near 4.8%.
- ❑ **Traders will also seek clarity on SLR rule for banks** and unless Fed decides to extend the exemption for US Treasury and bank reserves, there can be further selling in the US Treasury market, leading to higher US bond yields.
- ❑ **US Fed has an opportunity to trigger a sharp rally in US bonds,** fall in yields and hence fall in the US Dollar, if it decides to pushback against the rising yields and also extends the SLR exemptions.

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	328	(923)
FY21	35,585	<b style="color: red;">(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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