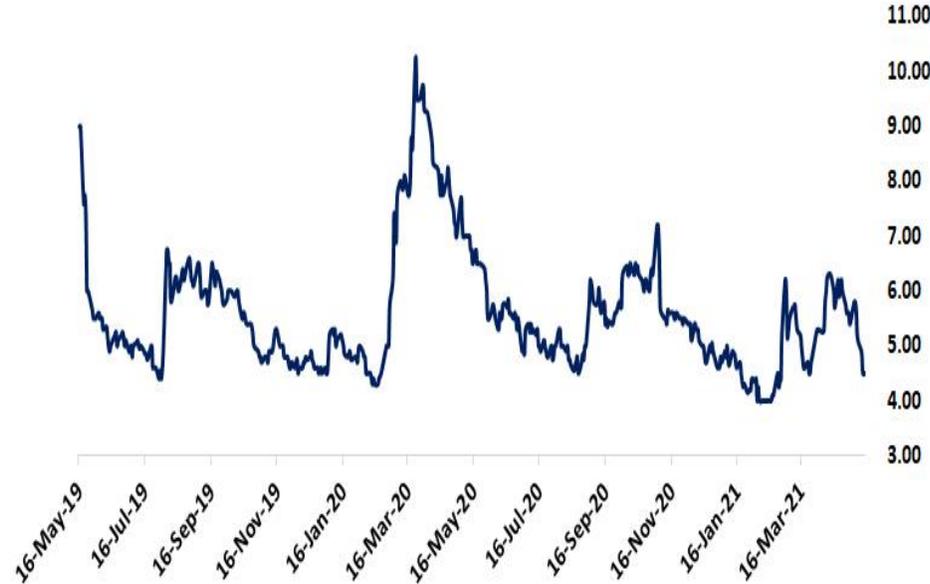




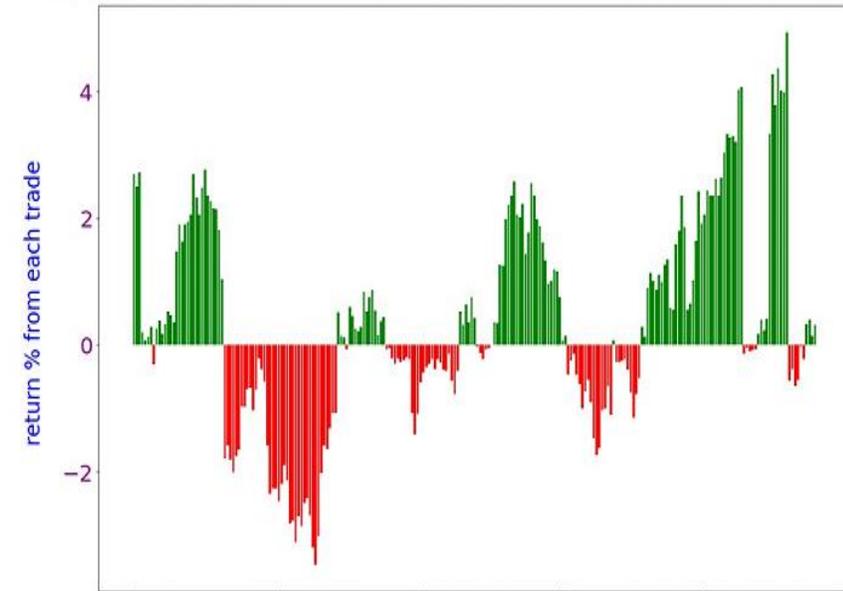
\$ continues to drift lower....

Vols & Rupee

USDINR 1 month implied volatility (%)



% Return from buying when IV < 4.5%, selling after 20 trading days



- ❑ Implied volatility has dropped to low levels in USDINR, suggesting trader see less risk of a big move in the pair.
- ❑ However, historically, periods of low vols are also periods of high vulnerability. Any significant market moving news can generate outsized moves in market, for example, during end Feb'21 and end March to April 2021.
- ❑ Though IV tends to rise when USDINR prices move northward but buying in anticipation of such a move is not so rewarding. Kindly refer to the graph on right, which shows the buy and hold return in USDINR futures. Therefore, one needs to time the long USD with a breakout in price charts, to make the signal better.



USD/INR

➤ **Storyboard:**

- ❑ Asian equity markets are trading flat with Asian currencies showing some early signs of weakness. News of fresh round of COVID infections in some of the Asian countries is weighing on sentiments. Chinese industrial production growth met expectations of traders but retail sales growth was muted. The global backdrop is not offering fresh triggers to USDINR. This pair may drift down but the quantum of the drift will be determined by pace of \$ buying from RBI.

➤ **Trade Pointer:**

- ❑ Downward bias is intact in USDINR as long as the pair sustains below 73.80 on a closing basis. Support @ 72.80.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	73.00	73.20	73.38	73.60	73.80



**GBP/USD
&
GBP/INR**

➤ **Storyboard:**

- ❑ GBPUSD pushed higher on the back of soft USD and hopes of a strong economic momentum in UK. All eyes on the inflation, retail sales and flash PMIs from UK, scheduled for release between Wednesday and Friday. A stronger growth is needed to change the bias of BoE from dovish to neutral, which in turn is needed to push GBP higher.

➤ **Trade Pointer:**

- ❑ GBPUSD remains in an uptrend. Buying is advised on decline. Target 1.4240 and 1.4310. GBPINR may also benefit from a strong GBPUSD, provided USDINR remains in a sideways phase.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
GBPINR	102.90	103.20	103.38	103.55	103.80

**USD/JPY
&
JPY/INR**



➤ **Storyboard:**

- ❑ USDJPY continues to push higher, aided by strengthening of US yields and broader risk on mood.

➤ **Trade Pointer:**

- ❑ USDJPY remains a buy on decline with stop below 108.30, under the trendline support. JPYINR remains in downtrend and hence a sell on rise with stop above 67.80 on a daily closing basis. Target 66.50.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
JPYINR	66.75	67.00	67.12	67.30	67.60

FPI FLOWS

(\$ Million)		
MONTH	EQUITY	DEBT
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	(1,294)	108
May-21	(868)	126
LTTM	33,842	3,219

- 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
- Even with a lackluster flows, Rupee is managing to strengthen due to flows in other categories and also due to speculative pressure.

Disclaimer

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