



***Talk of higher taxes & dovish Fed keep driving \$ down***

*Anindya Banerjee, CMT, CFTe, CCRA*

# USD/INR



➤ **Storyboard:**

- ❑ Risk on mood prevails across Asia, as major equity indices over 2%, commodities up and US Dollar on the backfoot. Rupee should benefit from this backdrop. At the same time, early signs that wave peak may have peaked and strong recovery will be witnessed in the days ahead is also drawing long interest in carry trade. However, RBI remains a spoil sport as they continue to accumulate \$ reserves.

➤ **Trade Pointer:**

- ❑ Downward bias is intact in USDINR as long as the pair sustains below 73.80 on a closing basis. Support @ 72.80 and 72.30/40 levels.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	72.80	73.00	73.15	73.30	73.60



➤ **Storyboard:**

- ❑ As Eurozone nations lift or relax the COVID curfews, it is evident that economic activity will improve. Sentiment data has held up well during the lockdown. The upcoming flash PMIs from Eurozone, to be released this week will be closely watched. At the same time, talk of higher taxes on corporate America and Fed officials insistence on lower rates for longer is driving EURUSD higher.

➤ **Trade Pointer:**

- ❑ EURUSD can see further upside towards 1.2250 levels. EURINR can rise alongside a strong EURUSD.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
EURINR	88.70	88.95	89.11	89.30	89.55

**EUR/USD  
&  
EUR/INR**



**GBP/USD**  
**&**  
**GBP/INR**

➤ **Storyboard:**

- ❑ GBPUSD continues to enjoy a strong cocktail of strong domestic cues and weak US Dollar. The only thing which could go against GBP is the massive speculative longs. If CFTC report is any guide then speculative longs are close to 95<sup>th</sup> percentile on a 10 year data. This may from time to time causes profit taking pullbacks but the overarching theme remains bullish.

➤ **Trade Pointer:**

- ❑ GBPUSD remains in an uptrend. Buying is advised on decline. Target 1.4240 and 1.4350. 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	103.35	103.60	103.75	103.95	104.20

**USD/JPY  
&  
JPY/INR**



➤ **Storyboard:**

- ❑ USDJPY remains supported, aided by strengthening of US yields and broader risk on mood.

➤ **Trade Pointer:**

- ❑ USDJPY remains a buy on decline with stop below 108.20, 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	66.95	67.07	67.30	67.55

# 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	(1,206)	544
<b>LTTM</b>	<b>33,504</b>	<b>3,219</b>

- 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 strong interest in carry trade, where low vol and high carry is helping.

# Disclaimer

- 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](http://www.kotak.com) / [www.kotaksecurities.com](http://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.
- Customer Service Number – 1800 209 9191 email id – [service.securities@kotak.com](mailto:service.securities@kotak.com). Compliance Officer Details: Mr. Manoj Agarwal. Call: 02242858484, or Email: [ks.compliance@kotak.com](mailto:ks.compliance@kotak.com). Investments in securities market are subject to market risks, read all the related documents carefully before investing. The information is only for consumption by KSL client and such material should not be redistributed
- [Click here for detailed disclaimer](#)