



*A **dovish** FOMC minutes can add fuel to **short** \$*



USD/INR

➤ **Storyboard:**

- ❑ Asian equities are soft today, with Nifty trading flat. However, Rupee should benefit from weak USD against majors and Asian currencies. At the same time, there is possibility of FPI flows on account of SUUTI stake sale in Axis bank via OFS. Thanks to RBI's intervention, forward premium has inflated to a point where it will incentivise carry trade, at a time, when global cues are benign to EMs and volatility remains low in USDINR.

➤ **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	73.07	73.30	73.60

**EUR/USD
&
EUR/INR**



➤ **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, focus will be on FOMC minutes to be released tonight. A dovish talk is expected and is needed to push the single currency further upward.

➤ **Trade Pointer:**

- ❑ EURUSD can see further upside towards 1.2300/10 levels. EURINR can rise alongside a strong EURUSD.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
EURINR	89.00	89.25	89.41	89.65	89.90



GBP/USD
&
GBP/INR

➤ **Storyboard:**

- ❑ UK employment report was impressive with strong growth in employment, decline in jobless claims and dip in unemployment rate. Even though the growth in waves slowed to 4% from 4.5% but ex-bonus, wage growth was strong. This should be supportive of further gains in cable. 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 95th 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 is bullish.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
GBPINR	103.35	103.60	103.72	103.95	104.20

**USD/JPY
&
JPY/INR**



➤ **Storyboard:**

- ❑ USDJPY is caught between a soft USD and risk on mood in financial markets.

➤ **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	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	(1,392)	562
LTTM	33,318	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 strong interest in carry trade, where low vol and high carry is helping.

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