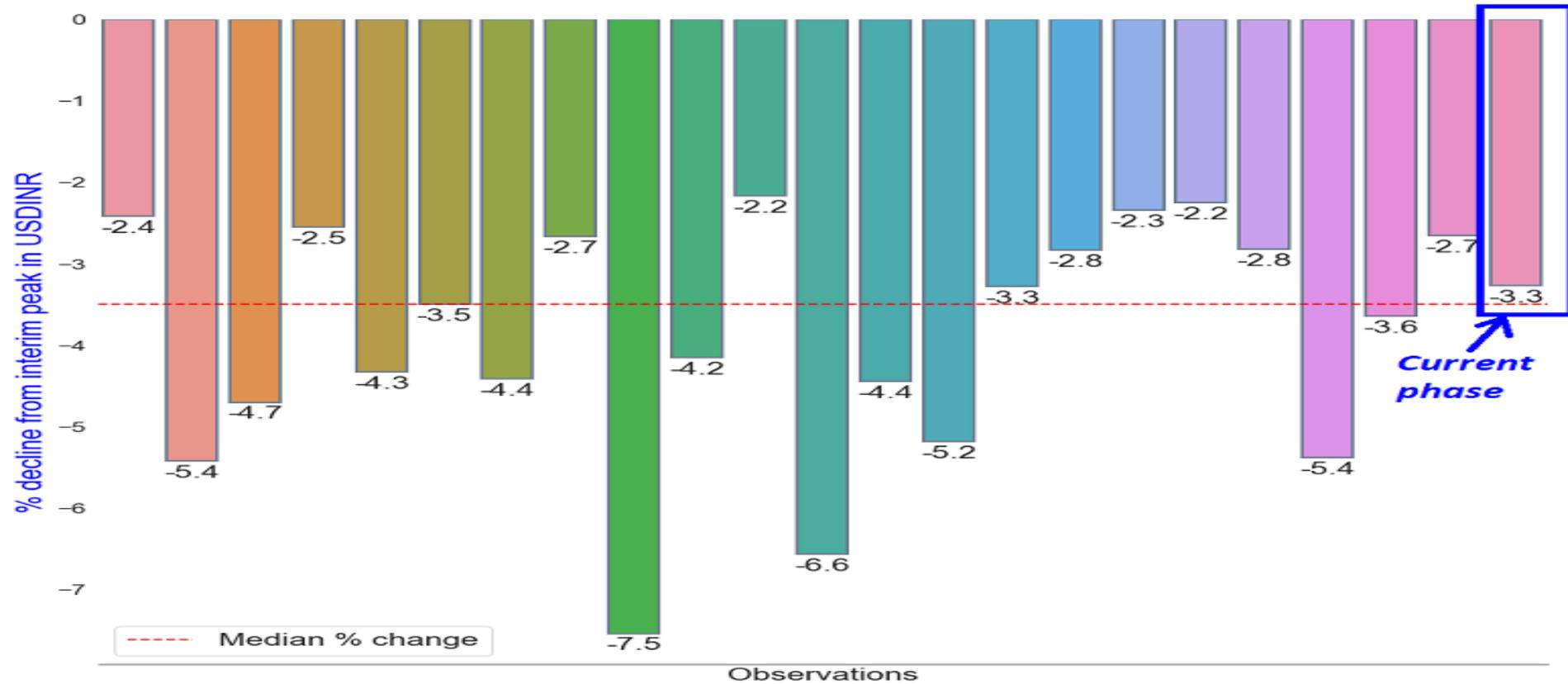




Rupee showing resilience...

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Vols
&
Rupee



- ❑ USDINR futures have dropped by nearly 3.3% since the peak above 75.50.
- ❑ The above chart shows that since 2014, there have been 23 such instances when USDINR futures had dropped by more 2%.
- ❑ Median value is near 3.5% and hence current decline is close to the median value and not an outlier.
- ❑ On historical basis, the current downtrend is not overstretched.



USD/INR

➤ **Storyboard:**

- ❑ Last night, minutes of the last US FOMC meeting had a bit of hawkishness. Infact, Fed members have been saying that they will offer ample warning ahead of the actual taper and it seems last night was one such warning. However, since the FOMC, US economic momentum has cooled off and that will ensure that the actual tapering is some time away. However, first notice has been served.

➤ **Trade Pointer:**

- ❑ Downward bias is intact in USDINR as long as the pair sustains below 73.40/45 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	73.18	73.40	73.60



EUR/USD
&
EUR/INR

➤ **Storyboard:**

- ❑ EURUSD ran into supply near 1.2240, Feb highs and pulled back, thanks to a slightly hawkish Fed minutes. 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. Tomorrow's flash PMIs from Eurozone are a key data.

➤ **Trade Pointer:**

- ❑ EURUSD can see further upside towards 1.2350 levels. EURINR can rise alongside a strong EURUSD.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
EURINR	88.80	89.05	89.22	89.40	89.65



➤ **Storyboard:**

- ❑ UK CPI rose 0.6% month-on-month in April, which is in line with the market's expectation but is a doubling of the March print at 0.3%. However, rising commodity-based costs are contributing to the increase in price pressures and hence BoE may continue to view the spike as transitory, like US Fed is viewing US CPI spike. However, GBPUSD has a strong tailwind by way of improving economy but it also has a headwind by way of significantly large speculative long positions. This means, we would get more choppy two way price moves within the broader uptrend.

➤ **Trade Pointer:**

- ❑ GBPUSD remains in an uptrend. Buying is advised on decline. Target 1.4240 and 1.4350. GBP/INR is bullish.

➤ **Levels to watch:**

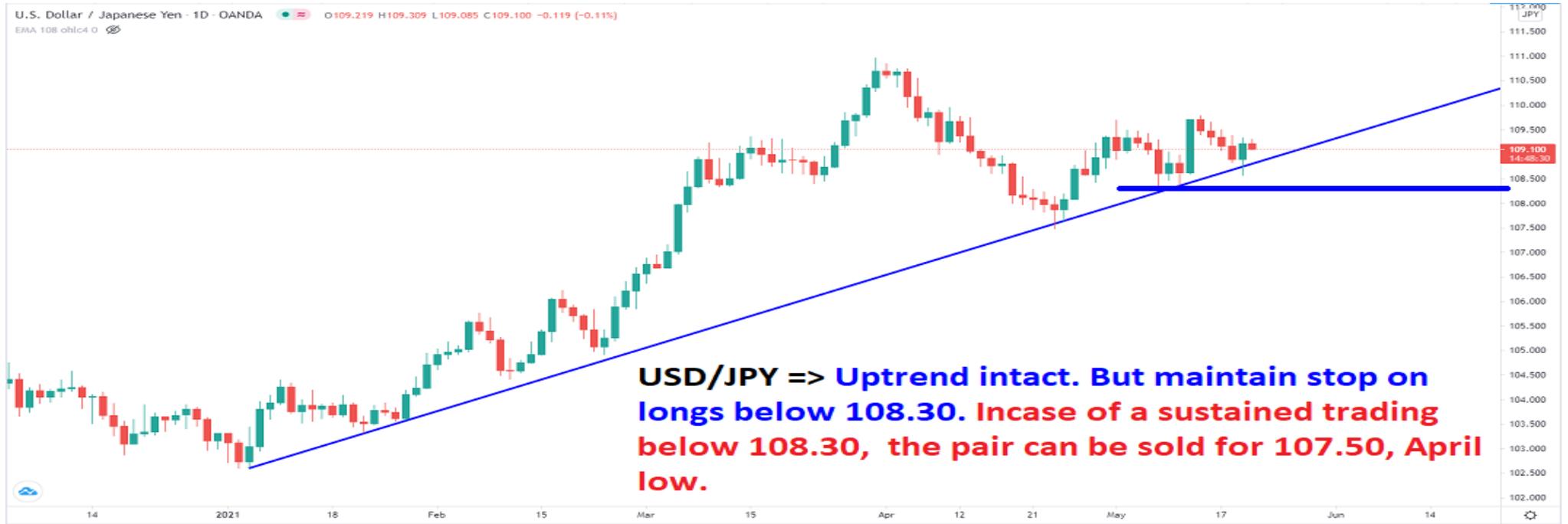
Futures	S2	S1	CMP	R1	R2
GBP/INR	102.90	103.20	103.36	103.55	103.80

GBP/USD

&

GBP/INR

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	67.10	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	(1,236)	519
LTTM	33,474	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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