



***A dovish Fed, high inflation expectation & loose fiscal policy:
-ve cocktail for the \$***



USD/INR

- ✓ **There was big decline in technology shares overnight**, which dragged the US tech heavy Nasdaq index by nearly 2.5%. However, Asian equity markets are showing stability and this may allow Nifty to open higher. US Dollar is under pressure as market expects a dovish testimony from US Fed chief tonight. Oil is in boil, with Brent inching closer to 70 handle, now at 66 dollars a barrel.
- ✓ **Indian Rupee has witnessed some strong bullish momentum off late**. Fall in FX assets at RBI by over \$7 billion from the peak and moderation in forward premium are signs that RBI may have reduced the pace of \$ purchases. **If that remains the trend, then USDINR can attempt a break below 72.00 support.**
- ✓ **TRADE BIAS: We have been bearish on USDINR since June 2020, when it used to trade near 76.00 on spot**. We continue hold that view. Sell on rise. Resistance is near 73.00 & 73.35 on March futures. Nevertheless, incase USDINR March futures trades above 73.70, our bearish bias would require a rethink.



EUR/USD
&
EUR/INR

- ✓ **EVENT TO WATCH:** US central bank chief's semi-annual testimony on the economy and monetary policy is most important event today. Powell is expected to sound dovish, ignoring the talk of higher inflation in the coming months. This can be negative for the US Dollar.
- ✓ US administration is working against the clock to pass the much hyped \$1.9 trillion fiscal stimulus. Urgency remains as several of the existing supportive measures for the economy will expire before end of March. A combination of high fiscal deficit in US and loose monetary policy is –ve for USD.
- ✓ Yesterday EuroUSD and EURINR strengthened on the back of strong German business sentiment.
- ✓ **TRADE BIAS:** EURINR is a buy on decline with stop below 87.00 with a target of 89.00.
- ✓ **LEVELS TO WATCH:** Support @ 87.80 & 87.50 on Feb fut. Resistance @ 88.25 & 88.50.



GBP/USD
&
GBP/INR

- ✓ **GBPUSD** climbed to highest level since April 2018 as traders cheered UK PM's plan to ease restrictions across England. Staggered reopening will occur starting March 8.
- ✓ **UK** has managed to administer at least 1 dose of vaccine to nearly 25% of its population is well placed to rebound strongly in the coming months.
- ✓ **With Brexit hangover gone and UK central bank, unlike ECB showing no displeasure at a strong GBP** is becoming the magnet of speculative, portfolio, long term capital and foreign central bank reserve flows. These can continue to drive **GBPUSD, GBPEUR and GBPINR** higher to greater heights.
- ✓ **TRADE BIAS:** With the bullish bias being intact in **GBPUS**, we continue to look for buying on decline in **GBPINR**. With SL below 100, target remains 102.50 and then 103.00 on March futures.

**USD/JPY
&
JPY/INR**



- ✓ **USDJPY or JPYINR is a tricky pair to trade as it can be impacted by several factors:**
 (i) US bond yields rise is negative for JPY (ii) global stock market rise is negative and fall is generally +ve for JPY (iii) USD strength and weakness can decide the direction of JPY
- ✓ **TRADE BIAS:** JPYINR will face significant resistance near 68.85/69.00 zone. One can sell on rise with stop above 69.00 levels.
- ✓ **LEVELS TO WATCH:** Support @ 68.60/70 on Feb fut. Resistance @ 68.85 & 69.00.

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	3,449	109
FY21	35,495	(1,395)

- ✓ 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) capital flows including 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 (iii) Asian currencies against US Dollar
- ✓ FPI flows have turned positive so far in Feb, but cocktail of rising oil prices and hardening US yields can risk reversing that trend. Need to be careful here.



FX PAIR	POSITIONAL VIEW (1 to 2 MONTH)
USD/INR	<p>We have been bearish since 76, in June 2020 and continue to be so. High carry and positive capital flow environment from improving economy will allow INR to appreciate. RBI remains a spoilsport but there massive intervention program has not just made INR undervalued on NEER basis but also attractive in terms of low volatility and high carry. Near term support is near 72.00 levels on spot. However, if the negative environment on USD holds in the globe, then USDINR can even test 71.00 levels on spot. Oil price needs to be watched.</p>
EUR/INR	<p>As long as EURUSD maintains the uptrend by holding above 1.1950 levels and moving towards 1.2350, EURINR will remain a buy on decline with SL below 87.00 for a target of 89.50.</p>
GBP/INR	<p>GBPUSD and GBPINR can continue to move higher as global asset managers rebalances their holdings of UK assets from underweight to par. GBPINR is a buy on decline with SL below 98.20 for a target of 102.50</p>

***** For intra-day and short term calls kindly refer to our trading calls issues via email *****

**TACTICAL
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Disclaimer

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