

INR Pairs (Trading Range for the Day – May Futures)				
	USDINR	EURINR	GBPINR	JPYINR
LTP (% Change)	77.65 (-0.05)	82.26 (0.05)	97.40 (0.48)	61.00 (0.24)
Intraday View	Rangebound	Bullish	Bullish	Bullish
Technical Range	77.50-77.80	81.90-82.55	96.50-97.40	60.40-61.10

Important Indicators		
	DXY	BRENT CRUDE
LTP	102.67	113.25
1W back	104.18	113.88
1M back	101.18	106.10



**USDINR Futures (May)**

Asian equities and Asian currencies, both are trading strong. Monetary stimulus and fiscal stimulus from China have been a support for risk since the end of last week. However, COVID news from China remains mixed. On one hand, Shanghai could see unlocking from June but the spike in new cases in Beijing raised the risk of a lockdown over there. However, the market is betting on China returning to work next month and that's why even metal prices have risen.

Indian Rupee has become an underperformer amongst its peers. As long as this underperformance continues, Rupee would tend to appreciate less against the USD, when the USD is weak against its global peers but fall more when the USD appreciates. This kind of asymmetric movement means that RBI would have to remain aggressive to defend Rupee on risk-off days.

We expect RBI to remain a major seller of USD to keep USDINR under 78.00 levels on spot. With GOI taking several steps, at the risk of higher gross fiscal deficit and borrowing, to contain inflation, RBI cannot afford to let that impact lessen by letting Rupee depreciate much against the US Dollar. A weaker Rupee, at this time, can be inflationary. Therefore, futures traders need to be number and careful as RBI can make the price action quite choppy. Option traders would have the upper hand, as the instrument offers flexibility between participation and protection. Option sellers continue to benefit as historical realised volatility undershoots implied volatility. Immediate support 77.50 and 77.30. Resistance 78.00/78.20 on futures.

**GBPINR Futures (May)**

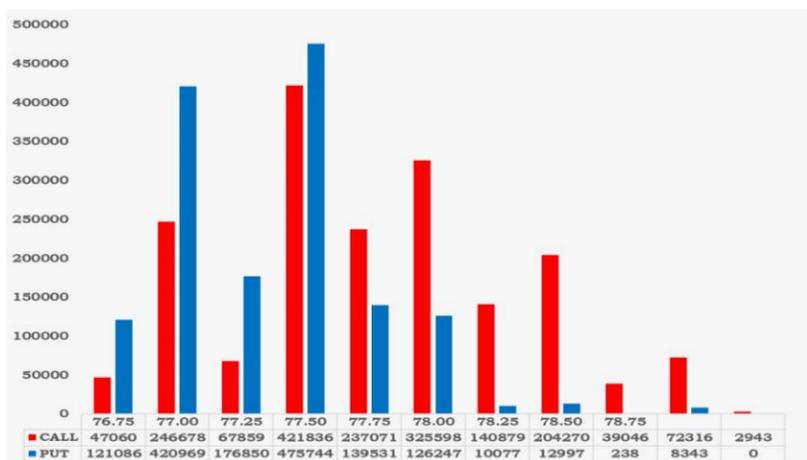
Last week was positive for GBP bulls as retail sales and wage growth, both came in stronger than expected and inflation was a tad weaker. CFTC's positioning indicated that the market was extremely short in GBP till last Tuesday. Since then, there has been strong short-covering and GBP has risen. If risk assets continue to rally during the first half of this week, GBPINR can score further gains. Therefore, bias remains slightly upward in the pair. Major economic data over this week will be the flash PMI for the month of May.

**EURINR Futures (May)**

Euro is benefitting from broad dollar weakness. EURINR is seeing an added benefit from a strong USDINR. Over the month of April, it was flat USDINR and weak EURUSD which triggered a massive drop in EURINR. Since early May, Rupee has begun to underperform and this has given the much-needed support to EURINR. EURINR too can see some more upside. Hence, bias remains slightly upward for the week. Key data from Eurozone will be flash PMIs and speeches from the ECB chief and Fed chief. US data like durable goods orders will also have their impact.

**JPYINR Futures (May)**

A falling USDJPY and strong USDINR are allowing JPYINR to move higher. Like GBP, in JPY too, large speculators have accumulated extreme levels of short positions. What is needed now is a trigger for a short squeeze? With US yields having pulled back, it may offer that room. Therefore, JPYINR for this week can see some more upside. The bias remains slightly upward.



	Spot	Futures	
		Weekly Expiry 03-Jun-22	Monthly Expiry 27-May-22
USDINR LTP / (Previous Day)	77.69 / (77.72)	77.77 / (77.74)	77.72 / (77.70)
ATM Vols (in %)	77.75	5.63%	5.87%
ATM Straddle Price		0.60	0.40

Historical Volatility	
5 days Rolling	4.40%
21 days Rolling	6.47%

**What Options Open Interest (OI) Saying?**

Option sellers seem to be betting on the Dollar rupee to remain between 77.50 and 78.00. Implied volatility has declined due to RBI intervention in spot.