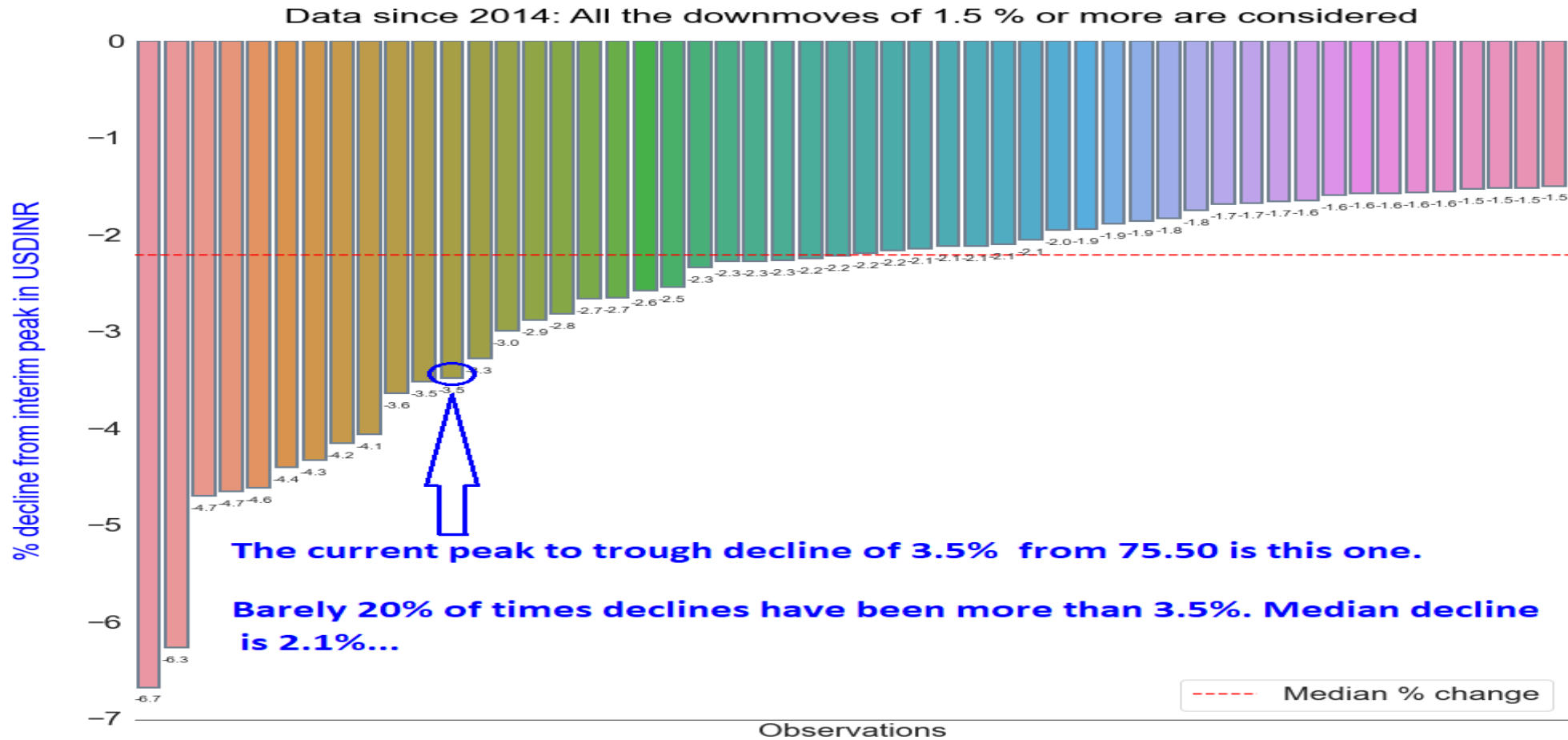




***Strong Rupee, may prompt aggressive intervention from the RBI...***

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Vols  
&  
RBI



- The ongoing down move is already 3.5%.
- Historically, I have considered all the down moves from USDINR, since 2014, over and above 1.5%.
- The current decline has reached levels, where RBI intervention seems a high risk.
- I expect the pace of intervention to increase from RBI, hereon.

# USD/INR



➤ **Storyboard:**

- ❑ Its mostly a quiet trading in Asia, with most currencies trading flat. A combination of corporate inflows, IPO related flows and carry trade is keeping the pressure on USDINR. RBI remains active. However, Rupee has become one of the strongest currencies in EM space, in May, thanks to the deceleration in the COVID wave. Low volatility and high forward premium is incentivizing carry trade.

➤ **Trade Pointer:**

- ❑ Downward bias is intact in USDINR as long as the pair sustains below 73.30 on a closing basis. Support @ 72.75 and 72.30/40 levels.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	72.40	72.75	72.90	73.10	73.30



**EUR/USD**  
**&**  
**EUR/INR**

➤ **Storyboard:**

- ❑ EURUSD is making another attempt at Feb highs, thanks to Fed members refraining from mentioning “taper” in their speeches. As Eurozone nations lift or relax the COVID curfews, it is evident that economic held up well during the lockdown. Flash PMIs from Eurozone reflects that optimism. All in all, Euro can continue move up.

➤ **Trade Pointer:**

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

➤ **Levels to watch:**

<b>Futures</b>	<b>S2</b>	<b>S1</b>	<b>CMP</b>	<b>R1</b>	<b>R2</b>
<b>EURINR</b>	<b>88.80</b>	<b>89.00</b>	<b>89.13</b>	<b>89.30</b>	<b>89.55</b>



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

➤ **Storyboard:**

- ❑ Though doubts are being expressed over the deadline of UK's full unlocking by June 21<sup>st</sup> due to uptick in cases but various data suggesting that the vaccines remain effective against the different strains of the virus. Therefore, a strong recovery in UK can continue to underpin GBPUSD. However, record speculative long position in GBP can cause sharp interim pullbacks.

➤ **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	102.90	103.20	103.38	103.55	103.80

**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 108.20. But if USDJPY begins to trade below, then bias will turn downward.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
JPYINR	66.75	66.95	67.05	67.30	67.55

# FPI FLOWS

c		
(\$ 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	(812)	499
<b>LTTM</b>	<b>33,898</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.

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