

INR Pairs (Trading Range for the Day – May Futures)				
	USDINR	EURINR	GBPINR	JPYINR
LTP (% Change)	77.58 (0.02)	83.08 (0.29)	96.98 (-0.70)	60.88 (0.04)
Intraday View	Range bound	Bullish	Range bound	Bullish
Technical Range	77.35-77.75	82.83-83.33	96.73-97.23	60.60-61.15

Important Indicators		
	DXY	BRENT CRUDE
LTP	101.98	114.48
1W back	103.90	109.22
1M back	101.70	102.46



USDINR Futures (May)

The global economy continues to slow. Yesterday, after the release of flash PMIs from major economies around the globe, S&P global said that high inflation, supply chain issues, and weak demand are hurting growth. We have to add one more factor to all this, which is the tightening of financial liquidity and the rising cost of funds. The quad of headwinds can be enough to slow global growth significantly in the coming quarters. Equity markets had sensed this sometime back and hence they have been in a bear market for months now. The bull run in Indian equity got over Sept of last year, which means, for 9-months in a row we have seen lower prices. FPIs have been consistent sellers and they have sold nearly \$25 billion since the end of September of last year. It is the corporate inflows and aggressive intervention from RBI which has not allowed this large sell figure from FPIs to knock the Rupee out of the park. RBI governor has made it clear that they would not like a weak Rupee. Instead, RBI would try and engineer a currency that is in line with its peers. With US Dollar on the back foot over the past week, Rupee has got a lease of life but we are yet to see any breakdown in the 2-week-old range of 77.30 and 77.80 on May futures. Such a narrow range has offered lucrative returns to option sellers but now we need to be careful. Experience says, that such a narrow range of 50 paise, would soon expand. Therefore, we need to be careful with our short option bets. For USDINR to breakout above 77.80/90 looks unlikely as RBI would not like a move above 78.00 at a time when the USD has weakened against majors and Asian currencies. Therefore, USDINR may have to break down. Till that breakdown occurs, once again option sellers may remain in profitable positions.

GBPINR Futures (May)

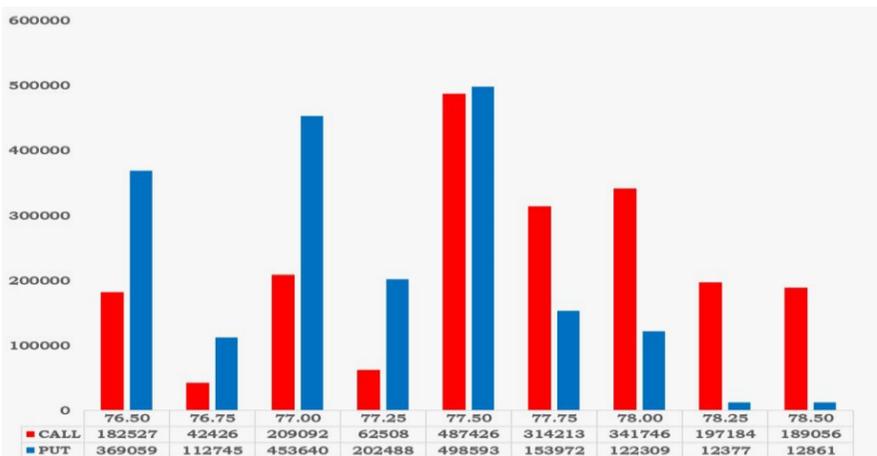
The closely-watched S&P Global / CIPS Flash UK Purchasing Managers Index (PMI) hit 51.8 in May - a 15-month low and down from 58.2 in April. According to S&P, the UK PMI survey data signal a severe slowing in the rate of economic growth in May, with forward-looking indicators hinting that worse is to come. BOE was right in flagging the risk of high inflation causing a slowdown in the economy. GBP will be under pressure after this economic report. GBPINR would continue to underperform EURINR over the near term.

EURINR Futures (May)

Weak US economic growth, hawkish comments from ECB chief, and better than expected manufacturing PMI all are providing the necessary tailwind to EURUSD and EURINR. However, the worsening global growth outlook and weak equity markets would cap the speed at which Euro is moving higher. For some time now, we have been flagging the risk of massive short positions in the Euro and weakening relative economic momentum in the US. The market seems to have finally decided to rebalance its positions. As a result, EURINR may get some more lift over the near term.

JPYINR Futures (May)

The picture remains mixed in JPYINR as USDJPY is showing a downward drift, which is positive but USDINR is also pulling back, which is negative. However, if USDJPY continues to drift down, then JPYINR can drift higher as USDINR remains well supported above 77.40/50 region on futures.



	Spot	Futures	
		Weekly Expiry 03-Jun-22	Monthly Expiry 27-May-22
USDINR LTP / (Previous Day)	77.55 / (77.56)	77.62 / (77.65)	77.58 / (77.58)
ATM Vols (in %)	77.50	5.04%	5.51%
ATM Straddle Price		0.50	0.26

Historical Volatility	
5 days Rolling	3.88%
21 days Rolling	6.25%

What Options Open Interest (OI) Saying?

Option sellers seem to be writing 77 puts and 78 calls, which suggests that they are expecting a range bound move. Implied volatility has declined.