



Third wave in Eurozone drags Euro lower

Anindya Banerjee, CMT, CFTe, CCRA



➤ **Recap:** Thanks to exporter selling going into FY end, USDINR April futures closed 7p lower, at 73.07 levels.

➤ **Markets' today:**

- ❑ **The corrective decline in global equity markets are playing out differently across regions.** Asian markets like Chinese, HK and Indian stock markets have been hit hard, just like Nasdaq in US but rest of the other major markets have witnessed shallow corrections. It smacks of a phase of consolidation, like it occurred during September-October of 2020. A more of a pause than a major reversal.
- ❑ **Rupee has refused to follow on the footsteps of its peers and depreciate against USD.** This can be due to a combination of existing relative undervaluation in Rupee, something which we have been pointing out since last year and also attractive carry bringing \$ via speculative bets. In spite of decline in stocks, net FPI flows in March remains positive. Trend can change, if in April \$ remains strong globally and FPI flows turn net –ve.

➤ **Trade Pointers:**

- ❑ On average USDINR has fallen by 1.4% during the month of March, if one leaves aside last's years COVID rise.
- ❑ **USDINR remains a sell as long as 72.72 is intact on spot.** Incase of a close above 72.72, buy for 73.35/50 levels.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	72.60	72.80	72.98	73.25	73.50



EUR/USD
&
EUR/INR

- **Recap:** EURINR April futures suffered another 18p drop to close at 86.46. Bias remains bearish due to weak macros.
- **Economic story:** FIG or France, Italy and Germany has announced fresh lockdown measures as third wave of COVID is underway in mainland Europe. Stronger PMIs may boost the German and Eurozone IFO today but that may not enough to turn the tide. The divergence in macro economic trend can continue to drive USD against the Euro.
- **Markets' today:**
 - ❑ A stronger than expected German IFO can trigger a short covering rise in EURUSD, but it may be sold into.
- **Trade Pointers:**
 - ❑ Price structure remains bearish in EURUSD. Sell on rise is advised unless EURUSD can close above 1.20 levels.
 - ❑ Bias continues to be bearish in EURINR.
- **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
EURINR	85.60	85.80	86.10	86.30	86.50



➤ **Recap:** GBPINR April futures recovered from intra-day lows and closed flat, thanks to a technical rebound in cable.

➤ **Economic story:**

- ❑ The PMI data for March clearly showed that UK economy has entered a period of strong recovery. With more than 50% of UK's adult population received their first shot, this will pay dividends for the economy. A strong economy with rising price pressures mean, BoE will turn neutral and then hawkish in its stance. This will drive GBP higher, against not just the Euro but also against Rupee and also USD.

➤ **Markets' today:**

- ❑ UK retail sales will be watched. A strong print can send GBP pairs higher.

➤ **Trade Pointers:**

- ❑ GBPUSD remains in a primary uptrend. However, near term corrective phase is underway.
- ❑ GBPINR remains a buy on decline with 99.90 as stop on April futures.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
GBPINR	100.00	100.25	100.42	100.65	100.85



**USD/JPY
&
JPY/INR**

- **Recap:** JPYINR April closed lower by 26p at 67.09. Bias remains downward.
- **Trade Pointers:**
 - ❑ Even though US yields have come off but demand for US Treasuries from Japanese investors may continue to drive the USDJPY higher.
 - ❑ USDJPY has managed to hold above 108.00 levels during the corrective pullback and is now poised to move up.
 - ❑ JPYINR remains in downtrend as long as the pair holds below 67.40 levels on April futures. Sell on rise.
- **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
JPYINR	66.60	66.80	66.91	67.15	67.35

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	3,539	(246)
Mar-21	1,852	(151)
FY21	35,585	(1,750)

- 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.
- 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- 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
- Equity inflows are rising in March. In FY21, except for April and September, FPI flows have been positive in the equity segment. However, debt continues to witness relentless outflows, due to adverse macro mix and high borrowing.

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