

INR Pairs (Trading Range for the Day – May Futures)				
	USDINR	EURINR	GBPINR	JPYINR
LTP (% Change)	76.97 (0.13)	82.05 (-0.22)	96.92 (-0.80)	60.44 (0.04)
Intraday View	Upward	Downward	Downward	Rangebound
Technical Range	76.80-77.20	81.80-82.30	96.65-97.25	60.20-60.70

Important Indicators		
	DXY	BRENT CRUDE
LTP	102.34	105.27
1W back	100.34	107.27
1M back	99.12	109.48



USDINR Futures (May)

Overnight it was the long dollar play that battered risk assets. Even though US bond yields continued to pull back, but US Dollar surged against most currencies. Yesterday, US new home sales showed that in the month of March, measure contracted by 8.6%. Higher mortgage rates and high prices are hurting demand. US Fed remains deeply sensitive to the state of the US housing market but the pain has not reached a level, where Fed will tone down its super hawkish rhetoric. Prices are rising at a rapid clip in the US home market and that should keep the Fed satisfied. The fight with high inflation comes at a cost and that cost is a combination of slow growth or recession and financial instability. Fed must have penciled some of that but with the US economy still humming along, Fed may prefer to front-load as many hikes as possible. This means, that the next 4 meetings, can see faster hikes. This is a major reason why US Dollar is doing so well.

Indian Rupee has been resilient. LIC IPO play is not that big deal. Yes, when the flows happen, it will impact those days but traders would not like to take large shorts on USD via derivatives markets. The global environment is not conducive for such short plays. Implied volatility has come off and is now sub-6% for weekly and month-end options, which offers little compensation for the brewing risks in the spot market. Therefore, these are times when you need to scale down the size of your bets in the option selling and focus on hedging the upside risks in the strategies like short straddle and short strangle.

GBPINR Futures (May)

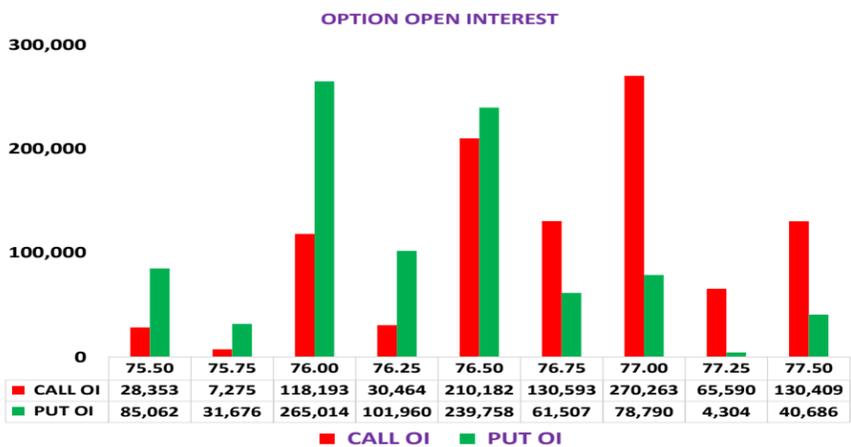
GBP is the new Yen. GBPUSD is trading at the lowest level since 2020. GBPINR is at a level last seen in November 2020. British government borrowing in the recently ended 2021/22 financial year was almost 20% higher than forecast by the country's budget office last month. This did not go down well as this means that the UK government has little room to offer major fiscal relief to households impacted by high inflation and COVID. Every day money market keeps scaling back the number of hikes from BOE. Last checked it has dwindled to just 140 bps from 150 bps a day back. UK economy could slow down in the coming months. As a result, GBPINR, though oversold, may remain weak over the near term. However, GBPINR looks to be becoming attractive compared to EURINR or GBPEUR is becoming an attractive buy.

EURINR Futures (May)

Even though some members of the ECB rate-setting committee have echoed hawkish comments but considering the stance of the ECB chief, it appears likely that the central bank will remain dovish for now as growth slows in Eurozone. This is the reason why EURUSD and EURINR continue to face the selling pressure. The bias remains downward.

JPYINR Futures (May)

With softness in US yields and weakness in equities, USDJPY is under pressure. A weak USDJPY is pushing JPYINR higher. Over the near term, as long as US bond yields continue to soften, JPYINR can see a little more corrective up move.



	Spot	Futures	
		Weekly Expiry 29-Apr-22	Monthly Expiry 27-May-22
USDINR LTP / (Previous Day)	76.70 / (76.57)	76.74 / (76.64)	76.96 / (76.84)
ATM Vols (in %)	77.00	6.42%	5.75%
ATM Straddle Price		0.38	1.01

Historical Volatility	
5 days Rolling	6.17%
21 days Rolling	5.68%

What Options Open Interest (OI) Saying?

Option sellers are betting on a range between 76.50 and 77.00 on spot. IVs remain subdued.