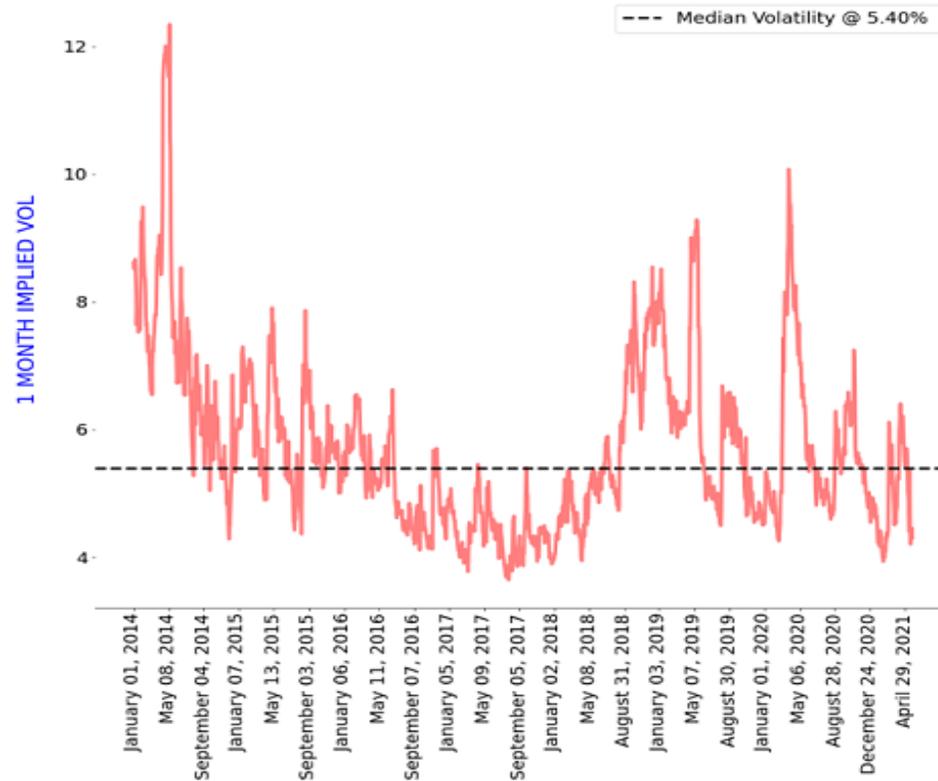


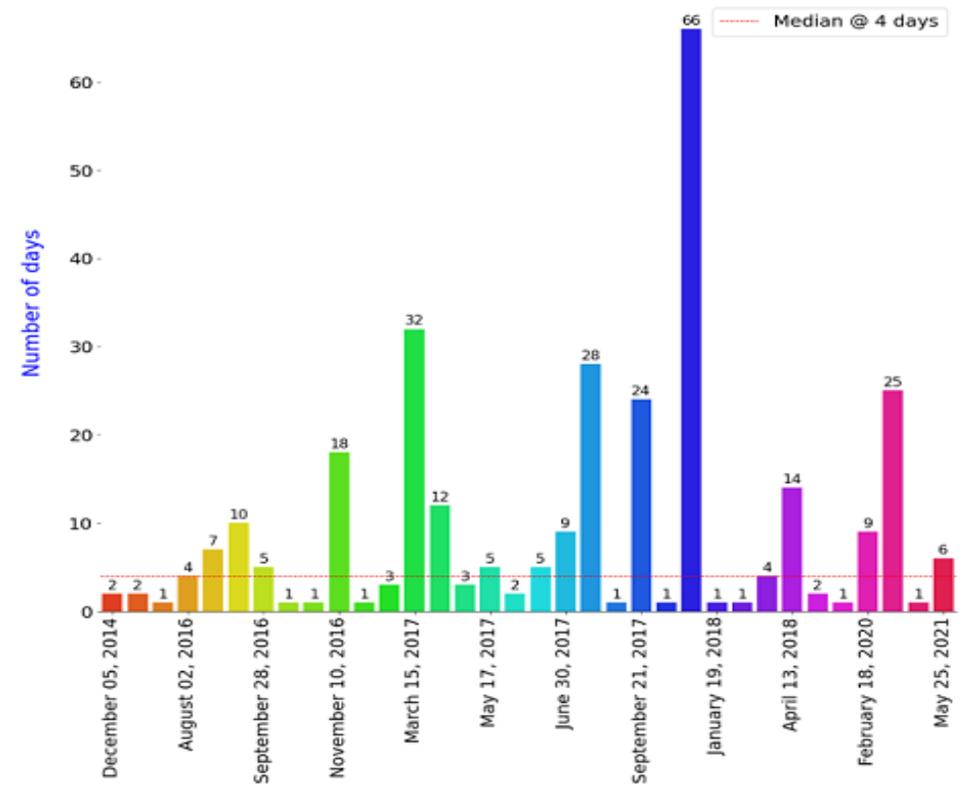
***Low volatility across the board...***

**Vols  
&  
Rupee**

1 MONTH USDINR IMPLIED VOL



NUMBER OF DAYS IV STAYED BELOW 4.50 %



- ❑ Implied volatility has dropped to low levels, with 1 month ATM on NSE quoting 4.2%
- ❑ Median vol over the past years has been around 5.4%. Current IV is close to 2 standard deviations away.
- ❑ Low vol periods tend to persist for some time.
- ❑ The longer they persist at low levels, bigger can be the expansion in the implied volatility.
- ❑ **At current low IV, selling OTM options are becoming less viable.**

# USD/INR



➤ **Storyboard:**

- ❑ USDINR continues to gradually drift downward due to risk on mood in global markets, high vol-adjusted carry and corporate flows. Fed members have dropped a few hints about tapering of their asset purchase program but they are not strong enough for short \$ position holders to head for exit. But its worth monitoring that risk.

➤ **Trade Pointer:**

- ❑ Downward bias is intact in USDINR spot as long as the pair sustains below 73.30 on a closing basis. Support @ 72.70 and 72.20/30 levels.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	72.75	73.00	73.03	73.15	73.35



**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 remains in uptrend but maintain stop below 1.2140 levels. EURINR to remain rangebound.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
<b>EURINR</b>	88.70	88.90	89.03	89.20	89.45



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

➤ **Storyboard:**

- ❑ GBP struggles to push ahead even though Euro and EM currencies take the baton in the short \$ trade. Lack of fresh triggers and stretched speculative positioning can be blamed for choppy price action of cable. Market has been well positioned on good news stories regarding vaccinations and reopening of the economy for some time now. Therefore, GBPUSD may consolidate for some more time.

➤ **Trade Pointer:**

- ❑ Even though uptrend is intact but near term price action is choppy. GBPINR may remain choppy as well.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
GBPINR	102.65	102.90	103.06	103.20	103.45

**USD/JPY  
&  
JPY/INR**



➤ **Storyboard:**

- ☐ Strength in US yields and USD, both have cushioned USDJPY.

➤ **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	66.65	66.85	66.95	67.10	67.30

# FPI FLOWS

( \$ 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	(658)	487
<b>LTTM</b>	<b>34,052</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.

# Disclaimer

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