



Dovish Fed & strong world eco, to drive flows to **EM**

USD/INR



➤ **Storyboard:**

- ❑ US fed did not go the Bank of Canada way and turn hawkish. Instead US FOMC was categorically dovish. They said, that a transitory rise above 2% inflation this year wouldn't meet standard of moderate overshoot. Also, slack in the labour market warrants Fed to continue with its current pace of QE. The combination of dovish Fed and surging global and US growth may continue to drive capital flows towards emerging markets.

➤ **Trade Pointer:**

- ❑ USD is breaking down through the floor of the multi-week range of 74.30-75.40 on spot. Next support zone is near 73.75, followed by 73.50. Resistance is now between 74.30/40. Selling can be done with stop above 74.40 on spot reference, for a target of 73.50/73.25.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
USDINR	73.75	74.05	74.40	74.60	74.80



EURUSD needs to sustain >1.20 to maintain the upward momentum

**EUR/USD
&
EUR/INR**

➤ **Storyboard:**

- ❑ A dovish US Fed was enough to propel EURUSD through the barrier near 1.21. However, tonight's US GDP release for Q1 can be strong enough to cause EURUSD to pullback. However, that pullback may not last as backdrop of dovish Fed and strong EM/US economy calls for weaker US Dollar.

➤ **Trade Pointer:**

- ❑ EURUSD is a buy on decline near 1.2060/80 with stop below 1.20. Target 1.2240/50. EURINR may remain rangebound due to weak USDINR offsetting strength in EURUSD.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
EURINR	89.70	90.00	90.16	90.35	90.55



GBP/USD
&
GBP/INR

➤ **Storyboard:**

- ❑ Lack of fresh triggers is keeping GBPUSD within a range. The UK is nevertheless expected to see a strong economic rebound over coming weeks and months, which should limit the downside, both against EUR & USD.

➤ **Trade Pointer:**

- ❑ GBPUSD remains in an uptrend. However, near term price action suggests a range between 1.3650 and 1.4020 levels. Buying on decline is advised as long cable is not breaking down below 1.3650. Target 1.4020 & 1.4242.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
GBPINR	103.40	103.70	103.84	104.05	104.30

**USD/JPY
&
JPY/INR**



➤ **Storyboard:**

- ❑ Rising US yields and risk on mood in financial markets have allowed USDJPY to push higher.

➤ **Trade Pointer:**

- ❑ USDJPY is a buy on decline with stop below 107.40. Target 109.50/80. Due to a combination of strong USDJPY and weak USDINR, JPYINR can come-off and test 68.00 levels on spot.

➤ **Levels to watch:**

Futures	S2	S1	CMP	R1	R2
JPYINR	68.05	68.30	68.40	68.55	68.75

FPI FLOWS

(\$ Million)		
MONTH	EQUITY	DEBT
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	1,444	902
Apr-21	(1,611)	259
LTTM	36,322	468

- 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
- Once COVID situation improves, FPI flows can pick up pace, which will be positive for the Indian Rupee.

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