

INR Pairs (Trading Range for the Day – May Futures)				
	USDINR	EURINR	GBPINR	JPYINR
LTP (% Change)	76.80 (-0.03)	80.87 (0.04)	95.95 (0.11)	58.91 (-0.03)
Intraday View	Upward	Downward	Downward	Downward
Technical Range	76.60-77.05	80.60-81.15	95.70-96.20	58.65-59.15

Important Indicators		
	DXY	BRENT CRUDE
LTP	103.50	108.43
1W back	101.18	106.10
1M back	98.40	111.20



**USDINR Futures (May)**

Traders did not bother about a contraction in US GDP during the March quarter, as the internals of the data show that economic growth remains resilient and inflation pressures remain high. This means the bet that the US Fed will push rates upwards of 150 bps over the next 3 meetings is very much intact. US GDP contraction was on account of a sharp jump in imports and drop in exports and a slowdown in the pace of inventory buildup. However, measures of private consumption and investments remained strong.

High yields have continued to drive fund flow towards the US Dollar but the performance of the US Dollar is quite varied against major currencies. Currencies with high-interest rate cover and relatively lower inflation and no lockdowns in place have done quite well. Indian Rupee has fared better than the average, thanks to rate cover, RBI intervention, and structural inflows.

LIC IPO will be attracting inflows but may not in a big way. Nevertheless, this flow can add to the defense of the Rupee. The pair has been caught oscillating between 76.00 and 77 since the end of February. The range seems to have narrowed to 76.40 and 76.80 for now. Such narrow ranges do not last for long and hence as option sellers are prepared for a range expansion. One way to bet on the upside and not pay a premium to the market is buying ratio call-spreads. There you buy a slightly OTM call and sell far-out calls, double the quantity. This kind of trade keeps you in the market, even if the market takes time to move higher.

**GBPINR Futures (May)**

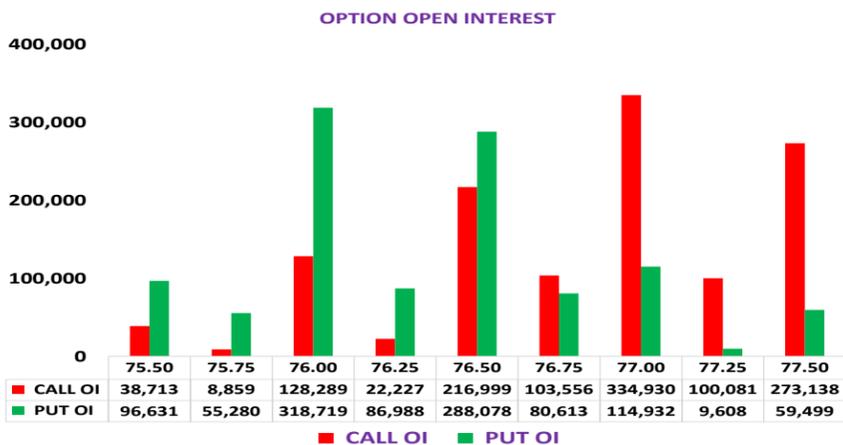
It does not matter how oversold the pair becomes, when the currency market gets hold of a dominant theme it will keep pushing prices as much as it can. The cocktail of divergent US is still weighing on GBP. The divergent monetary policy of the Fed to Europe is a consequence of a series of divergences in areas of economics, politics, and geopolitics. GBPUUSD is near the support zone of 1.2400. Once that breaks cable can even test 1.2250 and 1.2050 levels. GBPINR is going to follow the GBPINR trend as USDINR remains rangebound.

**EURINR Futures (May)**

Today the CPI figures should offer little support to the Euro as a high CPI does not mean that ECB can become Fed and talk about exit from easy money. European economies face major headwinds and the biggest of them is from supply chain disruptions and the threat of Russia reducing gas supplies to major EU economies. EURUSD is extremely oversold but that does not mean prices stop falling and reverse. We may get corrective pullbacks along the way but the trend remains downward, both for EURUSD and EURINR.

**JPYINR Futures (May)**

Bank of Japan has doubled down on the short Yen. Bank of Japan is following yield curve control. Under YCC, BOJ will defend an implicit 0.25% cap on the 10-year government bonds. This means that they will buy bonds every time yields threaten that level. In today's policy, BOJ has said that they will buy bonds every day and no longer on an ad-hoc basis. With US yields having no such caps, a cap on Japanese bond yields pushes money out of Japanese bonds and savings instruments into US savings vehicles. This search for higher yields causes the USDJPY to rise and hence JPYINR to weaken. After this statement, JPYINR can see more downside over the near term. USDJPY has the potential to test 135/136 over the next couple of weeks.



	Spot	Futures	
		Weekly Expiry 06-May-22	Monthly Expiry 27-May-22
USDINR LTP / (Previous Day)	76.56 / (76.48)	76.61 / (76.66)	76.78 / (76.84)
ATM Vols (in %)	76.75	5.90%	5.78%
ATM Straddle Price		0.51	0.98

Historical Volatility	
5 days Rolling	5.19%
21 days Rolling	5.74%

**What Options Open Interest (OI) Saying?**

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