

30 May 2022

PCG Currency Update

USDINR last week

Indian rupee spot depreciated by 3 paise and closed at 77.57 vs previous week's close of 77.54.

- ❑ As decline in dollar index and bounce back in equity markets were partially offset by elevated crude oil prices and FII outflows. The government's recent cut on fuel excise duty and increased subsidies on food and fertilizers also weighed down on Rupee, as it might lead to further widening of fiscal balance.
- ❑ FPI Net investments witnessed an outflow of more than Rs.1.75 trillion for the year 2022, owing to elevated crude oil prices and widening domestic trade deficit, prompting foreign outflows.
- ❑ Both the benchmark indices, Nifty and Sensex bounced back from lows and closed higher amid broad risk on sentiments from a declining dollar index and waning concerns about overly aggressive interest rate hikes by the central banks, lifting sentiments globally.
- ❑ There was no major economic data in the previous week. India's retail inflation in India increased to 7.79% in April, the highest since May 2014, as food inflation accelerated for the 7th straight month to 8.38%.
- ❑ India's forex reserves spiked for the first time snapping nine consecutive shrinkages. The forex kitty increased by \$4.2 billion to \$597.5 billion for the week ended 20th May, according to RBI data.

Dollar index closed lower at 101.67, against previous week's close of 103.15.

- ❑ Dollar index witnessed second consecutive weekly decline, easing more than 3% from a two decade high of 105 touched on 13th May, as softness in US economic data and corporate earnings raised fears of an economic slowdown. Investors reassessed expectations about future Federal Reserve rate hikes amid signs the central bank might slow or even pause its tightening cycle later this year.
- ❑ On the economic data front, the personal consumption expenditure price index in the United States increased 0.2% month-over-month in April of 2022, much less than a 0.9% rise in March. Meanwhile, US economy contracted an annualized 1.5% on quarter in the first three months of 2022, slightly worse than initial estimates of a 1.4% decline, with the biggest drag coming from trade.

Global Currencies w/w Change			
Currencies	Last	Abs Chg	% Chg
Dollar Index	101.67	-1.48	-1.44%
EUR Spot	1.0735	0.02	1.62%
GBP Spot	1.2631	0.02	1.21%
JPY Spot	127.11	-0.77	-0.60%
US 10 Year	2.7378	-0.04	-0.04%

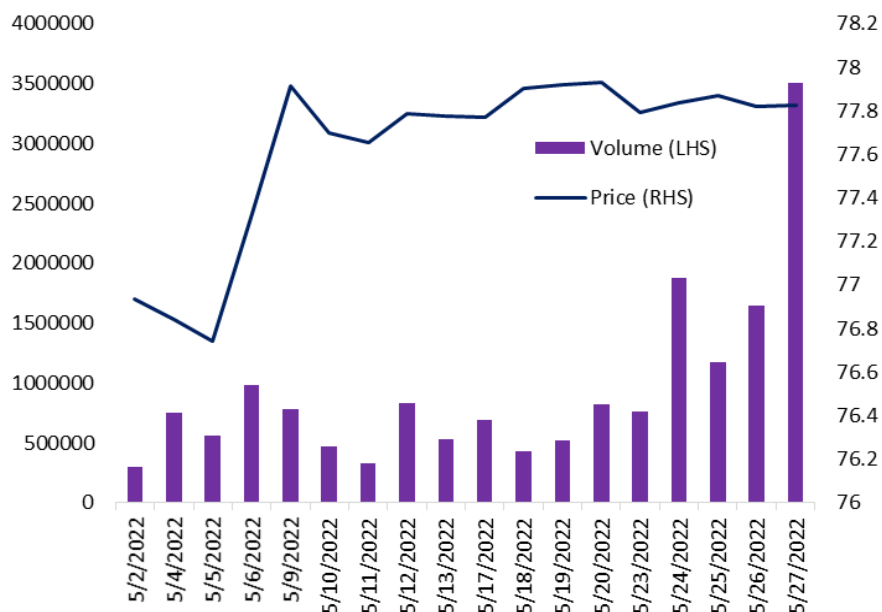
Domestic Currencies w/w Change			
Currencies	Last	Abs Chg	% Chg
Rupee spot	77.571	0.03	0.03%
USDINR	77.659	-0.05	-0.06%
EURINR	83.488	1.27	1.54%
GBPINR	98.107	1.18	1.22%
JPYINR	61.21	0.46	0.75%

❑ What lies ahead?

Rupee spot (CMP: 77.52) might appreciate towards 77.30 levels, as:

- Weakness in dollar index coupled with risk on sentiments after China eased some covid restrictions might underpin Rupee. Fed hawkishness seems to have peaked out and dollar index might further weaken unless we see a new surge in US rate pricing or renewed economic concerns from China.
- Rupee might gain ahead of RBI meeting on 8th June, where the central bank is expected to hike rates by 25-50 basis points as domestic inflation runs hot, well above RBI's upper target range.
- However, upside might be limited as rising crude oil prices, trading above \$116 per bbl poses trade risk and prompts FII outflows from the domestic currency.
- US Labour data will be the major focus for the week which might provide further cues on Fed's plans. A slew of domestic economic data are also due this week, including Q1 GDP, Fiscal deficit, Infrastructure output and PMI's.

NSE USDINR June 2022 Future



Source: Bloomberg

Levels to watch out for (USDINR June'22 contract)
CMP: 77.75

Immediate Support	77.30	Appreciation bias for the week
Major Support	76.90	
Immediate Resistance	77.90	
Major Resistance	78.10	

Technical Levels For the Week										
Currencies	Expiry	Close	Trend	S1	S2	S3	Pivot	R1	R2	R3
Dollar Index	-	101.668	▼	101.433	101.051	100.433	102.050	102.668	103.050	103.667
USDINR Spot	-	77.57	▼	77.47	77.41	77.30	77.57	77.68	77.74	77.84
USDINR	Jun	77.83	▼	77.73	77.66	77.54	77.84	77.95	78.02	78.13
EURINR	Jun	83.45	▲	82.80	82.49	81.99	83.31	83.81	84.12	84.63
GBPINR	Jun	98.07	▲	97.42	97.10	96.58	97.95	98.47	98.79	99.31
JPYINR	Jun	61.41	▲	61.09	60.94	60.71	61.32	61.55	61.69	61.92
EUR spot	-	1.074	▲	1.060	1.055	1.046	1.068	1.077	1.082	1.090
GBP Spot	-	1.091	▼	1.083	1.075	1.063	1.095	1.107	1.114	1.126
JPY Spot	-	127.110	▼	126.526	126.120	125.463	127.183	127.840	128.246	128.903

Upcoming Key Economic Indicators (US)		
1 st June, 2022	ISM Manufacturing PMI	Higher than expected PMI positive for dollar
2 nd June, 2022	ADP Employment Change	Higher than expected employment change positive for dollar
2 nd June, 2022	Factory orders	Higher than expected factory orders positive for dollar
2 nd June, 2022	Durable goods orders	Lower than expected goods orders negative for dollar
3 rd June, 2022	Non farm payrolls	Higher non farm payrolls positive for dollar
3 rd June, 2022	Unemployment rate	Higher than expectations are negative for dollar
3 rd June, 2022	ISM Services PMI	Higher than expectations are positive for dollar



Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst (s) about the subject securities or issuers and no part of the compensation of the research analyst (s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst (s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and /or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below:

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity) is a subsidiary of Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX- SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged in the business of Stock Broking, Depository Participant and Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment

/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Answers to the Best of the knowledge and belief of ARSSBL/its Associates/Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest. No ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report? No

ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report? ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months No

ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months No ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months No

ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months No

ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report No

ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company. No

Other Disclosures pertaining to distribution of research in the United States of America

This research report is a product of ARSSBL, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by ARSSBL only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, ARSSBL has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.

ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.

ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.

However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.

As of the publication of this report, ARSSBL does not make a market in the subject securities.

ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

© 2021. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Additional information on recommended securities/ commodity or commodity derivative /Currency /instruments is available on request.

ARSSBL registered address: Express Zone, A Wing, 9th /10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai - 400097. Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>US\$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US\$1bn)	>25%	5-25%	<5%