



DXY rally stalls: China wows for support to tech: RBI defends INR

Indian Rupee- Outlook and Hedge trade Recommendations

Currency	Indicative	Trading range	Hedge advice for import	Hedge advice for exports.	Technical trend
USDINR	77.51	76.82-77.87	85% hedge	80% hedge	Sideways

Outlook: USDINR recovered amid light RBI intervention and broader DXY retreat against major currencies. GBP and EUR both recovered smartly against DXY. China deputy premier Li assured technology giants to support. He said relationship between govt and markets should be well handled. Given recent economic malaise, China govt may opt to ease hard-hitting against technology companies. China stocks posted smart recovery. US tech stocks also posted a stunning rebound. China and US market actions bolstered risk on mood of markets. We may see an intermediate pause in rupee weakness. For a while rupee may stay below 77.87. Expected range is 76.82-77.87

Hedge Trade Recommendations: Return of risk on mood in US, China and Nifty may support INR to gain some ground. For a while rupee may stabilize between 76.82-77.87. Any dips towards 76.90-77.20 may be used to cover near term USD imports as per own's treasury profile.

Currency	Indicative	Trading Range	Hedge Advice for import	Hedge advice for exports	Tec. trend
EURINR	81.60	80.70-82.70	Stay 80% hedged	Stay fully hedge	Corrective rebound

Outlook: EURINR recovered extended amid rebound in global risk on mood. ECB may go towards zero rate from minus 50 and may tune into positive rates by end sept. Fed tightening worries little calm down amid corrective sell off in DXY. Russia managed to take Mariupol; 1st sign of some decisive victory in a one of the most devastating wars. Surging ruble looks to be an interesting outlier defying conventional wisdom about Russian economic trauma. By the way EURINR looks stable for a while.

Hedge trade Recommendations: Short term outlook seen stable. War truce development in Baltic need to be watch out for. Short term range is seen at 80.70-82.70

Currency	Indicative	Trading Range	Hedge Advice for import	Hedge advice for exports	Tec. Trend
GBPINR	96.70	95.40-97.70	Stay optimal hedge	Keep 30% far end export open.	Corrective bounce

Outlook: GBPINR extended its smart bounce against INR. GBPUSD also posted powerful rebound.

Hedge Trade Recommendations: Near term risks seems to be modestly downside for GBPINR. Near term imports may be kept optimal hedged. Near term exports may be kept 80% booked. 30% to be kept open.

International USD Crosses- Outlook and Hedge trade Recommendations

Currency	Indicative	Trading Range	Hedge Advice for import	Hedge advice for exports	Tec. trend
EURUSD	1.5060	1.0440-1.670	Near term import may be kept 30% unhedged.	Near term exports may be 80% booked	Recovery bounce, But fragile

Outlook: EURUSD posted smart rebound. ECB hints to hike rates in July and Sept and also keen to reduce balance sheet amid roaring inflation. ECB official indicated that too much weakness in euro is not helpful for EU export competitiveness. Such an indirect implicit verbal intervention prompted some short covering. We are in a BIG govt era and policy intervention or policy statements are often more powerful than actual FX intervention. From Indonesia to China to USA to EU, policy moves are influencing capital flows, markets and general sentiment. Recovery looks fragile and unlikely to last, unless some dramatically positive event happens in China or EU. As of now, short term range is seen as 1.4000-1.0650.

Hedge Trade Recommendations: Near term risks seems to be balanced, medium term risk seems towards downside.

Currency	Open	Trading Range	Hedge Advice for import	Hedge advice for exports	Tec. Trend
GBPUSD	1.2464	1.2280-1.2530	Stay 70% hedged	Stay 70% hedged	Technical bounce

Outlook: GBP posted sharp rebound amid broader recovery in global risk on move. US tech stocks, China tech stocks posted smart rebound. DXY retreated lower towards 1.0370 which produced relief rally in all non-USD assets. However, DX bull markets looks to be a strong bull market backed by solid economy. Housing inflation may be peaked. Canada housing sales down 12% and prices also shown marginal decline. We may see some ease in EU and UK inflation as well amid faster tightening relative to EU and Nordics.

Hedge Trade Recommendations: Hedge ratio between 70-80 for both side exposure.

Currency	Open	Trading Range	Hedge Advice for import	Hedge advice for exports	Tec. Trend
JPYUSD	129.70	128-130.50	Stay 80% hedge	Stay fully hedge	Sideways- Mild Bearish

Outlook: USD/JPY looks rangebound amid persistent fear of US-BOJ joint intervention. Shorts are booking some profits. Rising energy prices and stagflation risk in SE Asia, China, covid lockdown, supply chains worry etc. weighs on sentiment.

Hedge Trade Recommendations: Stay fully hedge in near term import and exports. Any sharp reversal towards 125-126 may be seen as an opportunity to cover near imports. Major trend looks structurally bearish.

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