

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	68.95	0.46%	2.2%	6%
EUR/INR	79.74	0.02%	1.6%	8%
GBP/INR	90.39	-0.13%	0.7%	8%
JPY/INR	62.52	0.16%	1.5%	8%
EUR/USD	1.1565	0.10%	-0.5%	2%
GBP/USD	1.3110	-0.02%	-1.5%	1%
USD/JPY	110.29	0.03%	0.8%	-2%
USD/CNH	6.6182	0.00%	3.3%	-3%
10 YR YIELD- IN	7.93	0.06	0.19	1.43
10 YR YIELD- USA	2.83	0.01	(0.10)	0.61
GOLD (\$/Oz)	1,253	0.0%	-4%	0%
SILVER (\$/Oz)	16.11	0.3%	-2%	-4%
BRENT CRUDE (\$/Brl)	77.54	-0.1%	3%	64%
COPPER 3M (\$/Ton)	6693	-0.3%	-3%	14%
NIFTY	10666	-0.05%	-0.21%	12%
HANGSENG	28498	0.50%	-7.45%	11%
S&P 500	2700	-0.86%	-0.80%	11%
INR 1M FWD	0.23	0.00	(0.01)	(0.02)
INR 2M FWD	0.50	0.02	0.06	(0.02)
INR 3M FWD	0.72	0.00	0.04	(0.05)
INR 6M FWD	1.46	(0.01)	0.08	(0.03)
INR 12M FWD	2.91	0.00	0.17	(0.01)
	1 DAY	MTD	QTD	YTD
FII INVESTMENT- EQ (\$ Mn)	(61)	(541)	(2,911)	(785)
FII INVESTMENT- DEBT (\$ Mn)	(81)	(1,583)	(6,317)	(6,072)
TOTAL- (\$ Mn)	(141)	(2,124)	(9,228)	(6,857)

CURRENCY	ECONOMIC EVENT
EUR	EU Economic Summit

INDIA NEWSWIRE

1. The Asian Infrastructure Investment Bank (AIIB) is set to come out with a global bond this year and will also look at other tools to raise funds

FX VIEW

Dollar Rupee pair finally achieved, what it could not for past 5 years. This was the fourth attempt and it succeeded. Dollar Rupee is trading at 69.05 levels on spot. We will address two key questions now?

Question 1) What factors are driving the Rupee lower?

- Trade war & Dollar Yuan: Trade war is an election issue in America, as they head to mid-term polls in November 2018. Trump is determined to win the elections for Republicans and retain majority in Senate & House. He believes that spending, tax cuts, trade and emigration are issues which can get his party the winning votes. China is caught right in the middle of the trade fiasco, which is causing capital flight in China. As a result, Chinese yuan is spiraling lower and that is bad news for Rupee too, as weaker Yuan, in parity terms drags down INR too.

- Higher oil prices: Iran sanctions are driving oil prices higher. Higher oil is bad news for India too.

- Strong US economy & Fed: With US economy enjoying strong economic momentum and US government very much committed to use the fiscal levers to keep it that way, wage inflation has begun to rise. This emboldens Fed and they can continue to hike rates and lower reserves in the system. That is also bad news for EM currency like Rupee

- Domestic political risk in a pre-election year. This is not going to go away soon, as elections are still a year out

- Financial conditions are tightening in the domestic economy as RBI has begun the rate hike cycle, which is not good news for domestic equity and bonds. Equity markets are already quoting decent valuation premium to EMs and that is additional headwind. This discourages inflows and makes Rupee weak

Question 2) What is the way forward.

For the past 4 months we have changed outlook on Rupee, and turned a bear citing a pre-election year could keep carry traders away from the market. That remains the larger theme. Add to the oil, Fed and Trump, the cocktail gets quite dangerous. Having said that, over the near term, much depends on CNH. If the Chinese Yuan reverse direction and begin appreciating against USD, we can see Rupee too appreciate against US Dollar.

Technically, USDINR is still in a bull trend as long as 68.50 is intact on Spot. If the pair close below 68.50, we can assume that another top is in place and then we will play for lower levels. As long as above 68.50, buy on decline. Above 69.00, we can see the pair aim for 70.00 on spot.

On the majors, we remain bullish on Euro, GBP and JPY against the Indian Rupee. On EURINR, we would look to buy the dips with stops below 78.00 on spot. Target remains around 80.50 and 81.00 levels. On GBPINR, we would look to buy on dips with stops on a closing below 89.00 level on spot. On JPYINR, buy on dips with stops below 60.00 on a closing basis and target remains 64.50/65.00 levels.

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