

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR	
USD/INR	68.53	-0.02%	-0.4%	6%	
EUR/INR	80.07	-0.49%	0.1%	5%	
GBP/INR	89.85	-0.43%	-0.7%	6%	
JPY/INR	61.24	-0.49%	-1.3%	5%	
EUR/USD	1.1682	-0.08%	0.4%	-1%	
GBP/USD	1.3110	-0.11%	-0.3%	-1%	
USD/JPY	111.91	0.04%	0.9%	1%	
USD/CNH	6.8284	0.34%	2.1%	1%	
10 YR YIELD- IN	7.76	(0.01)	(0.14)	1.32	
10 YR YIELD- USA	2.97	0.01	0.11	0.72	
GOLD (\$/Oz)	1,222	-0.2%	-2%	-4%	
SILVER (\$/Oz)	15.48	-0.3%	-2%	-7%	
BRENT CRUDE (\$/Brl)	73.94	-0.4%	-7%	43%	
COPPER 3M (\$/Ton)	6300	0.8%	-5%	-1%	
NIFTY	11374	0.15%	6.15%	12%	
HANGSENG	28580	-0.01%	-1.30%	4%	
S&P 500	2816	0.49%	3.60%	14%	
INR 1M FWD	0.25	(0.00)	0.01	(0.00)	
INR 2M FWD	0.51	0.00	(0.01)	0.01	
INR 3M FWD	0.75	(0.01)	0.03	0.01	
INR 6M FWD	1.51	(0.01)	0.05	0.02	
INR 12M FWD	3.01	0.01	0.02	0.05	
		1 DAY	MTD	QTD	YTD
FII INVESTMENT- EQ (\$ Mn)	(21)	76	76	(545)	
FII INVESTMENT- DEBT (\$ Mn)	104	2	2	(6,107)	
TOTAL- (\$ Mn)	83	78	78	(6,653)	

CURRENCY	ECONOMIC EVENT
GBP	Manufacturing PMI
USD	ISM Manufacturing PMI, ADP, FOMC

INDIA NEWSWIRE

- India's core sector growth rose to a seven-month high of 6.7 per cent in June due to double-digit expansion in coal, cement and refinery products. On the other hand, crude oil and natural gas continued to contract. The headline figure may give a boost to IIP growth, as core sector has 40 per cent weightage in IIP.

WORLD NEWSWIRE

- The eurozone's economy slowed further in the three months through June, as exports sputtered and business confidence weakened. GDP rose at an annualized rate of 1.4% in the second quarter, down from 1.5% in the first. However, unemployment rate across the eurozone was steady at 8.3% in June. Annual rate of inflation rose to 2.1% in July, further above the ECB's target of 2%.
- U.S. consumer spending increased solidly in June building a strong base for the economy heading into the third quarter, while inflation rose moderately.

FX VIEW

Indian Rupee and bond traders will be reacting to RBI policy decision scheduled post noon. Expectations are for a no change in policy rates. However, INR swaps are still pricing at least one more rate hike this financial year. The central bank has guided for CPI to average around 4.7% for the second half of FY19, primarily due to favourable base effect. During H2 FY18, due to hike in HRA and also implementation of GST, inflation rose. Over the last one month, oil prices have stopped rising and even Rupee has appreciated by 1% from its all-time lows. Monsoon progress has been uneven but impact on food inflation is muted. Risk of higher MSP pushing up food inflation has not yet materialised. Therefore, if CPI is expected to remain below 5%, and RBI is targeting a real rate of more than 150 bps, then a repo of 6.50% appears likely, which means one more hike of 25 bps. Having said that, there is no rush to hike rates now, RBI has the room to delay the hike to next meeting in October. Indian economic growth continues to improve. Yesterday core sector growth jumped to seven month high, which should lift the IIP for June. PMI data has improved. All in all, RBI does not have to worry about any weakness in growth. Inflation will continue to remain their focus.

In case, RBI hikes by 25 bps, Indian 10 year yields have harden towards 6.85% and Rupee may strengthen due to favourable real rate differential. However, if history is any guide, impact of RBI monetary policy on Rupee is generally transitory. In case, RBI does not hikes rates and sounds a hawkish tone, then we can expect a sell-off in Indian bond prices and probable weakness in the Rupee.

Technically, USDINR is in a limbo, stuck between 68.25/30 and 69.00/69.10 on spot. However, with RBI defending 69.00 so aggressively, we would urge exporters to increase their hedge ratio. Exporters can consider futures and even options strategies like range forward to protect against a strong Rupee. On the other hand, importers can consider buying OTM calls to protect their tail risk, as they stay away from hedging using futures or forwards.

Majors are all quiet waiting for US FOMC policy tonight. With US economy firing on almost all cylinders, US Fed has all the reasons to sound hawkish. It may propel the Euro towards 1.16 and GBP towards 1.30 handle. However, July range has been one of the narrowest this year in majors and hence we would watch for the range to break before deciding on betting on a direction. EURINR is stuck within a range of 79.50 and 81.00 on spot. We would be buyers on decline with stops below 79.00 on spot on a daily closing basis.

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