

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	72.70	0.29%	2.0%	10%
EUR/INR	84.31	0.43%	1.9%	9%
GBP/INR	94.75	0.15%	3.3%	8%
JPY/INR	63.83	-0.22%	-0.3%	9%
EUR/USD	1.1596	-0.07%	-0.2%	-1%
GBP/USD	1.3031	0.00%	1.3%	-2%
USD/JPY	113.92	0.19%	2.5%	1%
USD/CNH	6.8845	0.12%	0.7%	3%
10 YR YIELD- IN	7.95	(0.07)	0.00	1.29
10 YR YIELD- USA	3.07	0.01	0.21	0.74
GOLD (\$/Oz)	1,189	-0.2%	-1%	-6%
SILVER (\$/Oz)	14.61	-0.3%	1%	-12%
BRENT CRUDE (\$/Brl)	83.20	0.6%	7%	45%
COPPER 3M (\$/Ton)	6258	1.1%	2%	-4%
NIFTY	10910	-0.19%	-6.59%	11%
HANGSENG	27789	0.26%	-0.36%	1%
S&P 500	2914	0.00%	0.43%	16%
INR 1M FWD	0.30	0.02	0.05	0.05
INR 2M FWD	0.55	(0.00)	0.03	0.08
INR 3M FWD	0.83	(0.01)	0.06	0.13
INR 6M FWD	1.59	(0.01)	0.08	0.21
INR 12M FWD	3.13	(0.02)	0.12	0.41
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	86	(1,080)	(1,150)	(1,772)
FII INVESTMENT- DEBT (\$ Mn)	(76)	(1,368)	(908)	(7,017)
TOTAL- (\$ Mn)	10	(2,448)	(2,058)	(8,789)

CURRENCY	ECONOMIC EVENT
EUR	German Retail Sales
USD	ISM Manufacturing PMI

WORLD NEWSWIRE

- Canada has agreed to join the United States and Mexico in a trade deal that will replace the North American Free Trade Agreement. This news is supportive for US Dollar as it can be seen a major victory for President Trump, ahead of the US mid-term elections in November.

FX VIEW

It is going to be an eventful week as a whole host of high profile global economic data are scheduled for release as well Indian central bank is expected announce the monetary policy decision. Rupee has a lot to chew with most of factors aligned to weaken the Rupee. However, announcement from GoI on lower borrowing during second half as well announcement from RBI regarding fresh bond purchases, under open market operation can have a salutary impact on Rupee, via the bond market. Having said that we would not count too much from the rally in prices of sovereign bond as the stress is the corporate bond market and a sovereign bond OMO would not address the problem. At the same time, Brent crude is above 83.00 dollars a barrel, highest level since Oct'14, which is not only a negative for INR as well as can limit the downside in Indian bond yields. Additionally, infusing liquidity can be termed as negative for Rupee, as higher real yields, through tighter liquidity is supportive for Rupee, especially when the currency under fire. Therefore, all in all, we do not expect much of a downside in USDINR. Having said that, central bank remains quite active in forex market and probably RBI is trying to defend 73.00 for now and as a result, USDINR may not breach 73.00 right away. We can expect a range bound trading between 72.40 and 72.80/90. If some positive developments occur in local credit market then the range may expand to the downside towards 71.75/72.00 zone on spot. The range bound action can be compared with the range bound moves that occurred below 70.50, before prices broke out and moved towards 73.00 on spot. As long as the factors supporting the USD and hurting the Rupee does not change much, we expect USDINR to finally stage a breakout above 73.00 and make a run for 74.00/74.50 on spot. Nevertheless, we would have to alter the view in case the pair breaks down below 71.75 on spot.

In majors, Euro has weakened last week on the back of news of higher fiscal deficit in Italy. Italian debt to GDP is above 130%, quite bloated and well above the consolidated debt to GDP of Eurozone at around 86.00%. The just concluded budget talks have proposed a budget deficit target for the next three years to 2.4% of GDP, from EU preferred 1.6% or below. Technically, speaking it's within EU rules of sub 3% deficit. High indebtedness, sluggish growth and showdown with EU is taking a toll on the Italian bond prices. Bond yields are surging higher, dragging the Euro lower. On GBP, traders will keep one eye on Brexit talk and other eye on the Conservative party conference to be held this week. Politics remains the principal driver of GBP.

TECHNICAL VIEW & RUPEE CROSSES:

Technically, USDINR remains in an uptrend. However, over the near term, the pair is stuck within a triangular range of 71.50 and 73.00 with 71.75 acting as a key bullish pivot. For the week we would remain buyers with stops on a closing basis below 71.75 on spot. Resistance is around 73.00 levels on spot. In case INR trades above 73.00, the risk of a melt-up towards 73.60 remains high. Near term support is around 72.50 and 72.00 on spot. On JPYINR we remain bullish but currently the pair is struggling to clear 65.50 on spot. JPYINR is a INR proxy on EM/India risk trade. We would look to enter longs on a decline towards 63.00 levels on spot. Once the EM risk aversion trade makes a comeback, JPYINR pair can be a major beneficiary.

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