

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR	
USD/INR	73.67	-0.51%	-1.0%	3%	
EUR/INR	88.26	-0.02%	1.9%	11%	
GBP/INR	98.39	-0.30%	2.6%	6%	
JPY/INR	70.47	0.01%	-0.9%	7%	
EUR/USD	1.2082	0.09%	3.8%	9%	
GBP/USD	1.3425	0.04%	3.9%	4%	
USD/JPY	104.38	0.05%	-0.3%	-4%	
USD/CNH	6.54	-0.14%	-2.2%	-8%	
10 YR YIELD- IN	5.85	(0.06)	(0.04)	(0.62)	
10 YR YIELD- USA	0.91	(0.01)	0.07	(0.90)	
GOLD (\$/Oz)	1,810	-0.3%	-4%	24%	
SILVER (\$/Oz)	23.71	-1.2%	-2%	40%	
BRENT CRUDE (\$/Brl)	47.00	-0.9%	21%	-23%	
COPPER 3M (\$/Ton)	7680	-0.2%	14%	31%	
NIFTY	13121	0.1%	12.4%	8.9%	
HANGSENG	26578	0.0%	8.7%	0.5%	
S&P 500	3662	1.1%	10.6%	17.6%	
INR 1M FWD	0.23	0.00	0.03	0.02	
INR 3M FWD	0.66	0.01	0.01	0.07	
INR 12M FWD	3.33	0.03	0.25	0.60	
USDINR 1 MONTH ATM IV	6.09	0.08	(2.11)	1.12	
USDINR 3 MONTH ATM IV	6.44	0.03	(0.83)	1.02	
		1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	1,238	9,559	12,066	16,106	
FII INVESTMENT- DEBT (\$ Mn)	(82)	(389)	61	(14,619)	
TOTAL- (\$ Mn)	1,156	9,170	12,126	1,487	

CURRENCY	ECONOMIC EVENT
USD	ADP Non-Farm Employment Change

USD/INR:

VIEW: USDINR may open down, 73.70 levels on Dec futures. Primary trend remains DOWN. Positional traders can look to build short position on a rally. Major support is around 73.30 levels and thereafter near 73.10. Resistance is near 74.00 and 74.30 levels.

RBI finally allowed the Rupee to appreciate somewhat. With excess Rupee liquidity inching closer to 7 lakh crore mark, a record there is a lot of criticism being direction at RBI about how this liquidity is distorting price signals in the money market and the bond market. Term spread has widened to record. The 3-month T-bill rate is now at 293 bps whereas the 10 year is at 593 bps, giving us a term spread of 300 bps, a record level. Similar distortion is occurring in the credit spreads as well, which is being compressed for the AAA and AA rated corporates. As a result, corporates have flocked to the bond market to lock in the low yields, shunning bank credit.

Monetary policy is now ultra-easy with rates this low, thanks to surging Rupee liquidity. Every time RBI buys USD in spot, it ends up infusing Rupee liquidity in the system. Over the past 5 weeks, FPI have bought nearly \$10 billion of Rupee assets. Over the same period RBI may have bought well over \$15 billion from the spot market. This had rendered Rupee undervalued, something which we indicated a week back.

RBI can switch to forwards as the preferred mode of intervention to prevent Rupee liquidity from increasing further but that will incentivise carry trade. The 12 month forwards are 436 bps above spot and further push higher can encourage selling from speculators in the forward market. Therefore, as long as the path of USD remains down in the global market, USDINR will remain a sell on rise.

EUR/INR:

When market is eager to hammer the US Dollar, it will do so on every opportunity. EuroUSD oscillated between 1.1600 and 1.2000 for the past three months. Over that time period, several EM currencies gained significant ground against the US Dollar. Finally, Euro is catching up. ECB members have had in the past attempted to talk down the EuroUSD every time it came close to 1.20 but this time around the verbal intervention is shallow. Even if they reappear, the dip will be bought. EURUSD can aim for 1.2400/1.2500 zone. Major support zone is between 1.1900/1.1950.

VIEW: EURINR is a buy on decline with stop below 87.80 on a daily closing basis. Target remains 90.00 on December futures.

GBP/INR:

Brexit talks are underway and outcome is awaited. GBP is currently trading on unofficial news whereby government sources and members of the various negotiation teams brief members of the press off the record. Thanks to weakness in USD, GBPUSD staged a strong recovery and closed above the 1.34 hurdle. It may test 1.3480/1.3500 region.

VIEW: GBPINR Dec futures remain a buy on decline with stop below 98.50 levels on closing basis for positional trades. Target remains 100/100.20 levels.

JPY/INR:

Buy on decline with stop below 70.40 levels on Dec futures. Resistance zone is near 71.50/70 levels.



Source: Tickerplant

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