

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	68.93	0.17%	2.6%	6%
EUR/INR	80.18	0.20%	1.8%	8%
GBP/INR	90.52	0.03%	0.8%	7%
JPY/INR	62.19	0.21%	1.5%	8%
EUR/USD	1.1634	-0.03%	-0.5%	2%
GBP/USD	1.3134	-0.06%	-1.3%	2%
USD/JPY	110.84	-0.05%	0.9%	-2%
USD/CNH	6.7199	0.48%	4.7%	-1%
10 YR YIELD- IN	7.90	(0.02)	0.05	1.33
10 YR YIELD- USA	2.86	(0.01)	(0.04)	0.51
GOLD (\$/Oz)	1,240	-0.2%	-4%	2%
SILVER (\$/Oz)	15.83	-0.1%	-4%	-2%
BRENT CRUDE (\$/Brl)	77.89	0.8%	1%	57%
COPPER 3M (\$/Ton)	6523	-1.6%	-5%	10%
NIFTY	10681	0.23%	-0.14%	11%
HANGSENG	28166	-2.73%	-7.63%	9%
S&P 500	2727	0.31%	-0.29%	12%
INR 1M FWD	0.27	(0.00)	0.03	(0.01)
INR 2M FWD	0.53	0.01	0.06	0.00
INR 3M FWD	0.80	0.04	0.10	0.03
INR 6M FWD	1.55	0.01	0.14	0.01
INR 12M FWD	2.99	0.04	0.20	(0.00)
	1 DAY	MTD	QTD	YTD
FII INVESTMENT- EQ (\$ Mn)	254	(377)	(2,747)	(622)
FII INVESTMENT- DEBT (\$ Mn)	6	(1,621)	(6,355)	(6,109)
TOTAL- (\$ Mn)	259	(1,998)	(9,102)	(6,730)

CURRENCY	ECONOMIC EVENT
GBP	Construction PMI

INDIA NEWSWIRE

1. A panel of public sector bankers has suggested against setting up a bad bank and instead came up with a five-pronged strategy to resolve non-performing assets. It recommended setting up a dedicated vertical to deal with smaller stressed assets of less than Rs 500 million, inter-creditor agreements to deal with loans between Rs 500 million and Rs 5 billion, and setting up asset management companies for loans above Rs 5 billion, with money raised through alternative investment funds. It also suggested resolving bad debts under the IBC and setting up a trading platform for assets.

WORLD NEWSWIRE

1. US government is looking to block China Mobile from offering services to the US telecom market and also Trump weighing against WTO's poor treatment of US.

FX VIEW

One more day, one more 52 week record on USDCNH. When USDCNH is moving higher and Chinese/HK equities are moving lower, Rupee cannot stay immune. CNH is down another half a percent, but thanks to alleged intervention from RBI, Rupee is barely down by quarter percent. China is caught in the eye of the hurricane, which is being branded as trade war and geo-political turf war. China needs to redirect its economy towards consumption, away from exports and investments. Post 2008-2012, debt crises in Europe and US, demand centers for China took a big hit. Chinese leaders fearing political ramification stepped in with an investment boom, financed by state owned banks. The debt binge was epic, and as a result, debt to GDP exploded from anywhere between 120%-150% of GDP in 2008 to 300%-350% now. Even now debt continues to grow rapidly. Growing debt and rising bad debts is making the mission of rebalancing and deleveraging, arduous and treacherous.

Changing an economic model of a \$11 trillion is easier said than done. It will require decades of pain staking work and also long periods of weak GDP growth to achieve it. There will be constant resistance from vested interests, who stand to lose out in the transition, against the house cleaning. Economic history is full of such examples of countries who have followed similar economic models as China has, i.e., centralised+ consumption suppression+ export driven. The same history suggests that the transitions from such a model to a consumption model is more an exception than a norm. That does not mean China cannot become one of those rate feats. But even if it does, it will do so through a long period of low GDP growth and high risk of intermittent financial dislocation.

Turning attention back to Rupee, the local unit will continue to be driven by CNH in the short term. Major factors like oil, US monetary policy, domestic political risk and tightening financial conditions will continue to drive Rupee from the background but the protagonist now remains China. USDCNH, if it sustains above 6.70 this week, then over the month of July, it can attempt a break above 7.00 handle, with 6.81 as an interim resistance. The golden ratio, 61.8% retracement of the decline from 2016 highs to 2018 lows comes around 6.70. Hence, the importance of 6.70. We would like to see a weekly close above it to signal that this major technical resistance level has been conquered. Intra-day and even intra-week violations may get negated due to PBOC intervention. If the USDCNH continues to march above 7.00 handle, it can take USDINR above 70.00. Having said that, long USD traders should place stops below yesterday's low, around 68.38 on spot. In case that low breaks and the pair sustains below 68.38, risk of a deeper pullback will increase.

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