

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	73.32	0.55%	2.9%	11%
EUR/INR	84.90	0.31%	2.6%	9%
GBP/INR	95.25	0.78%	3.8%	9%
JPY/INR	64.49	0.57%	0.7%	10%
EUR/USD	1.1577	0.25%	-0.4%	-1%
GBP/USD	1.2992	0.10%	0.9%	-2%
USD/JPY	113.68	0.03%	2.3%	1%
USD/CNH	6.8825	-0.05%	0.7%	3%
10 YR YIELD- IN	8.05	0.06	0.05	1.40
10 YR YIELD- USA	3.07	0.00	0.21	0.74
GOLD (\$/Oz)	1,207	0.3%	0%	-5%
SILVER (\$/Oz)	14.80	0.7%	2%	-11%
BRENT CRUDE (\$/Brl)	84.83	0.0%	9%	51%
COPPER 3M (\$/Ton)	6280	0.5%	5%	-3%
NIFTY	10965	-0.40%	-6.13%	12%
HANGSENG	27050	-0.28%	-2.39%	-4%
S&P 500	2923	-0.04%	0.76%	15%
INR 1M FWD	0.30	0.02	0.05	0.05
INR 2M FWD	0.55	(0.00)	0.03	0.07
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	3.11	0.02	0.10	0.35
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	(234)	(1,314)	(1,384)	(2,006)
FII INVESTMENT- DEBT (\$ Mn)	(92)	(1,461)	(1,001)	(7,110)
TOTAL- (\$ Mn)	(326)	(2,775)	(2,385)	(9,115)

CURRENCY	ECONOMIC EVENT
GBP	Services PMI
USD	ADP Non-Farm Employment & ISM Services PMI

### INDIA NEWSWIRE

- India is targeting 40 per cent of electricity generation from non-fossil fuel-based resources by 2030 as it looks to tap vast solar and wind potential to replace reliance on polluting coal to meet its energy needs, Prime Minister Narendra Modi said Tuesday.

### WORLD NEWSWIRE

- According to Italian media, Italian government is looking to cut budget deficit from 2.4% in '19 to <2% in '21.

### FX VIEW

Oil on the boil and Dollar on the bid, are one-two punch for the Rupee. This year the reversal in negative correlation between prices of crude oil and US Dollar and also reversal in positive correlation between crude oil prices and EM equity markets are major negative structural drivers for the currency. Outflow in EM equity along with strong USD and oil is causing money to flow out of the Indian bond and equities, which is hurting the local unit. With national elections less than 9 months away, domestic factors have turned neutral. A strong growth in the economy will continue to keep RBI hawkish. A hawkish RBI will not allow for inflows to happen at the long end of the Indian bonds. Credit risk is causing concerns with the corporate bonds. Therefore, unless this dynamic changes- long oil, long USD vs DM/EMFX, long US rates & short EM stocks, there is no point being bearish on USD/INR. If the central banks intervenes heavily and tries to bring down the prices, it remains an opportunity to enter long positions.

Attempts to define fair value of the Rupee remains an academic exercise, looks good on paper. Financial assets or hard assets trading at fair value is more an exception than a norm. At the same time, point estimate of fair value is meaningless, a range may have still have an outside chance of capturing the peaks and troughs of the primary trend in the market. On top of that, fiat currencies are no asset class, as they have no underlying cash flows to derive their values from. Very long term trend of the currency pair can be defined by the path of inflation differential. However, there is no such luck when trying to do the same over time periods, in which most forex traders or forex managers operate. Therefore, we find tracking the factors that support carry trade or inhibit carry trade can be a better gauge of the direction of the emerging market currency pairs like USD/INR.

In majors, there are media reports of Italy might look at the reducing its budget deficit from 2.4% of GDP in 2019 to below 2.00% in 2021. This has helped the Euro recover against most pairs of currencies. Euro will remain volatile, driven by news flow from Italy. At the same time, GBP will take cues from economic data, politics & Brexit.

### TECHNICAL VIEW & RUPEE CROSSES:

USD/INR is expected to open higher around 73.30/35 on spot. Technically, USD/INR remains in an uptrend. If the pair manages to sustain above 72.90, the last few weeks range of 71.50-72.90, then it can aim for 74.00/74.50 on spot. Nevertheless, if the pair fails to sustain above 72.90, then we can expect the old range of 72.00 and 73.00 to come into play. Primary uptrend is intact as long as prices are holding above 71.75 levels on spot. On crosses, buy on dips in EUR/INR with stop below 83.80 & on GBP/INR with stop below 94.00 on spot. JPY/INR is still within a consolidation phase between 63.00 & 65.50 on spot.

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