INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	68.84	-0.08%	-0.6%	0%
EUR/INR	77.69	-0.18%	-0.4%	-3%
GBP/INR	86.62	0.00%	-1.4%	-5%
JPY/INR	63.88	-0.05%	-0.3%	3%
EUR/USD	1.1285	0.06%	0.3%	-3%
GBP/USD	1.2582	0.06%	-0.9%	-5%
USD/JPY	107.79	-0.02%	-0.3%	-3%
USD/CNH	6.8749	-0.15%	-0.7%	3%
10 YR YIELD- IN	6.84	0.01	(0.18)	(1.01)
10 YR YIELD- USA	1.95	0.00	(0.18)	(0.88)
GOLD ($/Oz)	1,419	0.0%	7%	13%
SILVER ($/Oz)	15.31	0.0%	3%	-5%
BRENT CRUDE ($/Brl)	63.33	-0.8%	2%	-19%
COPPER 3M ($/Ton)	5918	0.5%	1%	-9%
NIFTY	11954	0.31%	-0.56%	11%
HANGSENG	28827	-0.10%	7.72%	2%
S&P 500	2996	0.77%	6.87%	10%
INR 1M FWD	0.24	(0.01)	0.01	0.01
INR 2M FWD	0.50	0.00	0.03	(0.02)
INR 3M FWD	0.77	(0.01)	0.06	0.05
INR 6M FWD	1.59	(0.00)	0.17	0.13
INR 12M FWD	3.30	(0.01)	0.47	0.30

	1 DAY	MTD	QTD	CTD
FII INVESMENT- EQ ($ Mn)	(225)	(350)	(350)	10,989
FII INVESMENT- DEBT ($ Mn)	185	261	261	1,689
TOTAL- ($ Mn)	(40)	(89)	(89)	12,678

CURRENCY	ECONOMIC DATA
EUR	Retail Sales

FX VIEW

After a poor manufacturing PMI, the services PMI from India was a horror show. Services sector, the dominating area of the country's economy, shrank for the first time in 13 months in June. PMI fell to 49.6 points in June, down from 50.2 in May due to broadly stagnant sales. The composite PMI Output Index, which maps both manufacturing and services industry, fell from 51.7 in May to 50.8 in June - its lowest mark in over a year. According to Pollyanna de Lima, principal economist at IHS Markit, who compiles the PMI, "looking at the opening quarter of fiscal year 2019/20, we see the slowest upturn in private sector output since the last quarter of fiscal year 2017/18, which dragged employment growth down to a notable extent."

Economic slowdown and its impact on employment and income growth of households is now one of the top most worries for the government. Union Budget is scheduled tomorrow. However, the task is daunting. GST revenues are running well below required run rate. In a weak economic environment, getting the required buoyancy in direct taxes and indirect taxes is a difficult task. At the same time, government has to find resources to finance the expanded farmer income support scheme, along with a new pension scheme, while living up to the demand for more allocation of funds for building infrastructure. Many of the industrial sectors are looking up to the government for sops to them and to consumers to boost demand. At the same time, GoI cannot afford to breach the GFD target by a big margin, as that would antagonise market and cause Rupee to depreciate and bond yields to trade higher. Government may have to tap into three sources to meet the divergent needs:

1. Bank on extra-budgetary borrowings.
2. As RBI to make a lump sum transfer from its reserves
3. Asset sales and privatisation

Union Budget is more important event for the Bond market and Equity market, than for USDINR. Volatility may increase, depending on the fiscal math. However, the direction of the pair may remain unaltered, which is downward.

Global equity markets are showing risk on trends with Asian following on the footsteps of US and European markets overnight. Dollar is trading a soft against major currencies, especially after the tweet from the US President that US participate in the game of "currency manipulation", like China and EU. Brent is below 64 handle. However, US markets are shut today for their Independence Day celebrations and as a result, activity can be low in USDINR as well, unless there are some bunched up flows in the OTC market.

TECHNICAL VIEW & RUPEE CROSSES:

Primary downtrend remains intact in USDINR. However, the speed with which the pair should have moved is missing. As a result, our trading approach remains the same to wait for a counter trend bounce, to go short on the pair. Resistances are: between 69.10/20 zone and then 69.35/40 zone on spot. Support is between 68.80/85, followed by 68.30/35 levels on spot.

In Rupee crosses, EURINR sports a bearish structure and hence trade remains to sell on rise as long as the pair holds below 79.00 on spot. On GBPINR structure remains firmly bearish and hence sell on rise. On JPYINR, we would look to buy the decline with stop below 63.00 on spot, on a daily closing basis.

**** CHART ON NEXT PAGE ****

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BALANCE OF PAYMENT OF INDIA (Financial Year)

1	$ Million	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
1	CAPITAL ACCOUNT	(294)	659	(255)	41	150	(29)	(163)
2	FINANCIAL ACCOUNT							
2.1	*FDI*	*19,819*	*21,564*	*32,627*	*36,021*	*35,612*	*30,286*	*30,712*
2.2	*FPI*	*26,704*	*4,802*	*40,934*	*(4,503)*	*7,612*	*22,115*	*(2,438)*
2.3	*FINANCIAL DERIVATIVES*	*(2,422)*	*2,006*	*(4,792)*	*631*	*9,822*	*(2,870)*	*1,032*
2.4	*OTHER INVESTMENT FLOWS*	45,173	19,717	21,035	8,876	(16,780)	41,832	25,184
2.4.1	*Currency and deposits*	15,312	39,386	15,789	15,808	(12,081)	9,675	10,693
2.4.2	*Loans (External Assistance, ECBs and Banking Capital)*	10,726	(1,129)	187	(8,203)	(8,623)	9,276	10,569
2.4.3	*Trade credit and advances*	21,657	(5,044)	(924)	(1,610)	6,467	13,900	2,021
3	UNALLOCATED CAPITAL INFLOWS	2,688	(882)	(616)	(1,073)	364	902	(486)
4	NET CAPITAL FLOWS INTO INDIA *(1 to 3)*	91,669	47,866	88,934	39,993	36,779	92,236	53,841
5	*NET SELLING OF DOLLARS BY RBI (+ is $ selling, - is buying $)*	(3,826)	(15,508)	(61,406)	(17,905)	(21,550)	(43,574)	3,339
	% OF CAPITAL FLOWS MOPPED UP BY RBI	-4%	-32%	-69%	-45%	-59%	-47%	6%
	NET CAPITAL FLOWS INTO INDIA AFTER RBI INTERVENTION *(4 + 5)*	87,843	32,358	27,527	22,088	15,229	48,661	57,180
1	CURRENT ACCOUNT (inverse of net capital inflows into India after RBI intervention)	(87,843)	(32,358)	(27,528)	(22,088)	(15,229)	(48,661)	(57,180)

@ Anindya Banerjee

1. Current A/C balance denotes how was the excess spending in India during a financial year over and above its national income. Spending is driven by income and lending from abroad. Lending is capital inflows. India runs a persistent CAD due to net inflow of foreign capital into the country.

2. FY13, CAD was highest due to highest net capital inflows, after RBI intervention. Infact RBI was almost non-existent in the spot dollar market. FPI flows surged lead by equity inflows. There was decent inflows under NRI, FCY loans and trade credit.

3. FY17 CAD was lowest, due to lowest net capital inflows. FDI was robust but FPI inflows dwindled. The interesting bit is what happened under NRI and FCY loans, both saw 21 billion outflows, probably due to maturing of subsidized NRI deposit scheme. The sharp drop in reserves at the RBI could due to the maturing of NRI deposit scheme which they launched in 2013.

4. FY18, RBI mopped up 47% of the total capital inflows, to prevent Rupee from appreciating too much.

5. FY19, FPI flows turned negative due to higher oil prices, trade war and pre-election risk. Other investment flows too slowed down due to ban in BC. RBI had to sell dollar, less in spot, much more in forwards to support Rupee. Remember, forward transactions are not counted in Balance of Payment as it does not cause flow of funds.

6. RBI FX assets change due to following factors: either RBI buys or sells dollars in spot, RBI takes or gives delivery of Dollars against forwards or their valuation impact on non-dollar part of the reserves from changes in value of other currencies against USD.

7. In Balance of Payment, only purchase and sales of dollars in spot or delivery of dollars against forwards are considered.

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