

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	71.22	0.31%	3.7%	10%
EUR/INR	82.68	-0.02%	3.7%	8%
GBP/INR	91.64	-0.64%	2.4%	9%
JPY/INR	64.07	0.09%	3.7%	9%
EUR/USD	1.1598	-0.18%	0.4%	-3%
GBP/USD	1.2858	-0.09%	-0.7%	-1%
USD/JPY	111.14	0.06%	-0.2%	1%
USD/CNH	6.8307	-0.06%	-0.5%	4%
10 YR YIELD- IN	8.00	0.05	0.24	1.52
10 YR YIELD- USA	2.86	0.00	(0.09)	0.69
GOLD (\$/Oz)	1,200	-0.1%	-1%	-10%
SILVER (\$/Oz)	14.48	-0.3%	-5%	-19%
BRENT CRUDE (\$/Brl)	78.09	-0.1%	7%	49%
COPPER 3M (\$/Ton)	5967	-0.1%	-4%	-13%
NIFTY	11582	-0.84%	1.95%	17%
HANGSENG	27699	-0.05%	0.08%	0%
S&P 500	2902	0.01%	2.15%	17%
INR 1M FWD	0.26	(0.01)	0.01	0.04
INR 2M FWD	0.52	0.00	0.01	0.06
INR 3M FWD	0.77	(0.00)	0.02	0.08
INR 6M FWD	1.49	(0.01)	(0.02)	0.12
INR 12M FWD	3.01	0.01	0.00	0.24
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(409)	(278)	(70)	(692)
FII INVESTMENT- DEBT (\$ Mn)	(48)	355	460	(5,649)
TOTAL- (\$ Mn)	(457)	77	390	(6,341)

CURRENCY	ECONOMIC EVENT
GBP	Construction PMI & Inflation Report Hearings
USD	ISM Manufacturing PMI

FX VIEW

Another day, another all-time low scored by the Rupee against the US Dollar. Spot travelled all the way from 70.70 to 71.21 and closed at the high point of the day. The usual suspects like rally in oil and sell off in EM currencies did support the pair higher but the catalyst may have been a late sell-off in domestic equity markets. Even bonds were under the hammer, as 10 year Goisec yields inched closer to the 8 handle. Media reports blamed the sell-off in equity markets to the new KYC compliance norms issued by SEBI to FPIs as well as to the rumours of foreign portfolio investors coming from countries which are not members of the Financial Action Task Force will have to meet stricter disclosure standards, and face greater scrutiny and regulatory hurdles. FATF non-members include Cyprus, British Virgin Islands and Cayman and Mauritius. SEBI has extended the deadline for FPIs to comply with the circular on beneficial ownership up to 31st December. However, AMRI, an organisation that represents the FPI community, has urged to SEBI to withdraw the circular as they believe that foreign portfolio investment is taking a hit due to the circular.

We have to wait for the next move from SEBI. If SEBI manages to address the concerns of the FPIs, then it can not only provide a boost to equity markets but also help the Rupee monetarily. However, the larger trend of Rupee is being driven by factors which are external in nature, viz., Dollar trend against EMFX and DMFX, oil and trade war hitting Chinese economy. Going into mid-term polls in November, US administration is unlikely to relent on either trade war or on fiscal imprudence. Hence, it may remain a challenging terrain for EMFX and Rupee till the end of 2018.

On global front, center of attention was Argentina Peso and Turkish Lira. In an effort to shore up their finances and secure a loan from the IMF, Argentine President Mauricio Macri announced new export taxes and spending cuts for next year's budget. However it failed to lend support to Peso, which tanked another 15%. Lira on the other hand took a knock after inflation rose more than expected. US markets were shut and hence movement in majors were minimal. GBP was under pressure post weak manufacturing PMI for August. Additionally EU has thrown cold water on the plan presented by UK on the withdrawal terms. Also there is news that BoE governor, Mr. Carney, may not continue post his term expires next year. All in all GBP to trade weak against most currencies, including, Euro, INR and USD.

TECHNICAL VIEW:

Technically, USDINR remains within a primary uptrend. Unless prices are closing below 69.00, any sharp correction, 1-1.5%, is an opportunity to enter fresh longs on USD and short on INR. However, over the near term, a corrective dip cannot be ruled out. For the day, we would remain buyers closer to 71.00 levels on spot, with stops on a daily closing basis below 71.00. Upside targets are round numbers, viz., 71.50 and 72.00 on spot.

On Rupee crosses, EURINR is in need for a correction. The run from 78.50 to 83.00 has been without any correction. Therefore, we would wait for a EURINR to dip towards 81.00 levels on spot, before attempting fresh longs. Key event to watch for the week for EuroINR will be the EZ retail sales data due on Wednesday. At same time, US jobs data, ISM release as well durable goods orders shall also impact the EuroINR and other INR crosses. On GBPINR, we would wait for a decline towards 90.00/90.50 before attempting fresh longs. GBP will be driven by headlines on Brexit. On JPYINR, we would remain bullish and look to buy the dips as long as prices hold above 62.00 on spot. JPYINR has been a solid proxy for the EM risk off move this year.

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