

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	73.68	0.45%	2.9%	12%
EUR/INR	84.51	-0.18%	2.1%	9%
GBP/INR	95.28	0.15%	3.7%	9%
JPY/INR	64.49	0.31%	0.5%	10%
EUR/USD	1.1471	-0.06%	-1.0%	-2%
GBP/USD	1.2933	-0.05%	0.6%	-2%
USD/JPY	114.23	-0.26%	2.5%	1%
USD/CNH	6.9056	0.23%	0.8%	4%
10 YR YIELD- IN	8.20	0.09	0.14	1.50
10 YR YIELD- USA	3.18	0.00	0.28	0.86
GOLD (\$/Oz)	1,197	0.0%	0%	-6%
SILVER (\$/Oz)	14.58	-0.4%	3%	-12%
BRENT CRUDE (\$/Brl)	86.13	-0.2%	10%	54%
COPPER 3M (\$/Ton)	6267	-0.2%	5%	-4%
NIFTY	10703	-1.43%	-7.10%	8%
HANGSENG	26620	-1.74%	-4.84%	-6%
S&P 500	2926	0.07%	0.99%	15%
INR 1M FWD	0.30	0.02	0.05	0.05
INR 2M FWD	0.56	0.00	0.04	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	3.18	0.10	0.17	0.43
	<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
USD	FOMC Member Quarles Speaks

### INDIA NEWSWIRE

- RBI allowed OMC to raise dollars directly from overseas markets without a need for hedging. RBI said the minimum maturity profile of the borrowings should be three years and five years, and the overall cap under the scheme would be \$10 billion.

### FX VIEW

Dollar dominated the last 24 hours, as Rupee collapsed to a fresh all-time low of 73.41 on spot. Policymakers tried everything, monetary intervention, and verbal steroids and even tried to circulate rumours about an "oil window". Nothing worked. RBI added fuel to fire by denying any attempts to introduce special dollar window for the oil marketing companies. Oil was on the boil, local equity and bond market under the hammer. If that was not enough, rising Italian credit spreads whacked the Euro, further pressuring INR.

Overnight, Dollar bulls and US bond bears rampaged. US 10 and 30 year yields touched a 7 year high of 3.18% and 3.33%. Economic data flow from US was much better than expectation. Business surveys like services sector ISM and PMI, both pointed towards a strong labour market. US Fed chair, in his speech yesterday, exuded confidence in the US economy. He said, "Interest rates are still accommodative, but we're gradually moving to a place where they will be neutral. We may go past neutral, but we're a long way from neutral at this point, probably."

A clear hint that Fed is all set to tighten monetary policy much further, hurting money flow into ems. Market may begin to pencil in 5 more hikes by the end of 2019, instead of 4 more hikes. US yield curve has bear steepened slightly overnight. As long as the US economy continues to outperform emerging economies and as long as US stock market continues to outperform EM equities, fund flow would continue to hurt EM currencies like Rupee. In a way, the logic is circular to some extent, as long as fund flow continues from row into US financial markets, US equities will outperform. However, the outperformance is also attracting further inflows in a reflexive manner. Therefore, as long as the flows do not reverse, there is not point being bearish on USDINR.

Apart from global economic mix of oil, rates and fund flow, we also need to keep a close eye on the unfolding credit crunch in the NBFC sector. Over the past decade, we have witnessed quite a few examples, where stress in funding in the financial sector had morphed into systemic issues for the economy, viz., US, EU, China and other emerging economies. Credit drives growth and over the past few years, NBFC had picked up the baton from the beleaguered banking system in creating credit in the economy. If that sector comes under stress, it can have adversely India's GDP growth as well as the financial markets.

### TECHNICAL VIEW & RUPEE CROSSES:

USDINR is expected to open higher around 73.30/35 on spot. Technically, USDINR 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 EURINR with stop below 83.80 & on GBPINR with stop below 94.00 on spot. JPYINR is still within a consolidation phase between 63.00 & 65.50 on spot.

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