

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.46	1.24%	-3.8%	9%
EUR/INR	79.79	0.78%	-4.2%	4%
GBP/INR	89.62	0.99%	-6.2%	3%
JPY/INR	62.14	0.31%	-3.9%	8%
EUR/USD	1.1369	0.13%	-0.3%	-4%
GBP/USD	1.2739	0.11%	-2.3%	-5%
USD/JPY	113.31	-0.31%	0.1%	1%
USD/CNH	6.8594	-0.25%	-0.8%	4%
10 YR YIELD- IN	7.63	0.02	(0.16)	0.57
10 YR YIELD- USA	2.94	(0.03)	(0.27)	0.57
GOLD (\$/Oz)	1,236	0.4%	0%	-3%
SILVER (\$/Oz)	14.45	0.5%	-1%	-11%
BRENT CRUDE (\$/Brl)	62.20	0.8%	-15%	0%
COPPER 3M (\$/Ton)	6295	1.6%	0%	-8%
NIFTY	10884	0.06%	3.13%	7%
HANGSENG	27110	-0.26%	2.36%	-7%
S&P 500	2790	1.09%	2.47%	6%
INR 1M FWD	0.27	0.02	0.01	0.03
INR 2M FWD	0.49	0.00	(0.02)	0.05
INR 3M FWD	0.71	0.01	(0.04)	0.05
INR 6M FWD	1.47	0.03	(0.05)	0.01
INR 12M FWD	2.84	0.04	(0.19)	0.01
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(23)	868	(2,884)	(4,890)
FII INVESTMENT- DEBT (\$ Mn)	21	889	(463)	(7,572)
TOTAL- (\$ Mn)	(2)	1,757	(3,347)	(12,462)

CURRENCY	ECONOMIC DATA
GBP	BOE Gov Carney Speaks
GBP	Construction PMI

WORLD NEWSWIRE

1. US ISM manufacturing index for Nov came in at 59.3, beating estimates. New orders, employment and production sub-indices gained strongly.

FX VIEW

The direction and quantum of move that occurred in USDINR yesterday was interesting as it happened on a day when risk assets were on a song and EM currencies were basking in the glory of a successful meeting between Trump and Xi. This is not the first time in my short career of 15 years I have seen such moves in the pair, where when the move occurs it becomes hard to locate factors responsible for the move. Having said that, the question that is now in front of us is, will this rebound or counter trend rally in USDINR continue further or not?

Yes it can continue further, but for that just oversold market conditions and short positions in USD may not be enough, there needs to be a trigger for the shorts in USD to run for cover. The fire has to be lit either from global markets, where a major risk aversion takes EM down, or it comes from a domestic angle. State election results will be declared next week. On Thursday, we have the OPEC+ meeting. Let us highlight a couple of extreme outcome templates:

1) OPEC+ decides to reduce output by over 1 million barrels a day & BJP losses at least Rajasthan & MP: A perfect storm for INR. On one hand oil can jump sharply, Brent probably charting a course for 70.00 and beyond and on the other hand, political risk premium jumps manifold. In such an outcome, USDINR can swiftly rebound, possibly towards 73.00 levels.

2) OPEC+ fails to agree on an output reduction and BJP retains at least MP and Rajasthan: Rupee longs would love this combination. On one hand, a hesitant OPEC+ can knock the bottom under oil and on the other hand, political stability would be boon for the INR. Carry traders can test the resolve of RBI by pushing Rupee towards 69.00 and below levels.

Outcome can also be any combination between the above two extremes, and the market would react accordingly.

For today, backdrop appears conducive for Rupee, as Yuan is appreciating against USD and even the major currencies like Euro and GBP are not weak. Though Asian stocks are down but the quantum of decline is marginal. Yesterday, Indian PMI survey showed that manufacturing sector is showing strength as the manufacturing PMI jumped to an 11-month high with new orders, production and employment showing robust readings. Path is set for GDP to rebound in Q3 from 7.1% in Q2. Higher growth, lower inflation and sensible macro policies now require the helping hand of political continuity. Once the final element falls into place, Rupee can become a major carry trade vehicle once again. As all that drives the larger trend of INR are two factors: capital flows and carry flows.

TECHNICAL VIEW & RUPEE CROSSES:

Intermediate to short term downtrend is intact in USDINR as long as it is trading below 72.00 on spot. Support is around 71.00/71.10 and 70.20 on spot. Resistance around 71.50 and 72.00 on spot. On majors, we are looking to buy the decline on EURUSD as long as it holds above 1.13 levels and on EURGBP buy on decline

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

BRITISH POUND / U.S. DOLLAR, 1D, IDC - O1.3612 H1.3666 L1.3555 C1.3576 -0.0036 (-0.26%)
Ichimoku (9, 26, 52, 26) - 1.3822 1.3966 1.3415 1.4023 1.4029

GBPUSD COILING FOR A MOVE



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