

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.39	0.23%	-0.4%	3%
EUR/INR	77.67	0.62%	-0.9%	-3%
GBP/INR	91.04	1.15%	0.1%	0%
JPY/INR	62.73	0.62%	0.4%	2%
EUR/USD	1.1194	-0.04%	-0.6%	-6%
GBP/USD	1.3122	-0.39%	0.5%	-3%
USD/JPY	110.60	-0.45%	-0.8%	1%
USD/CNH	6.7989	0.93%	1.2%	6%
10 YR YIELD- IN	7.37	(0.02)	0.02	(0.35)
10 YR YIELD- USA	2.53	(0.02)	0.00	(0.42)
GOLD (\$/Oz)	1,283	0.3%	-1%	-2%
SILVER (\$/Oz)	14.87	-0.5%	-2%	-10%
BRENT CRUDE (\$/Brl)	69.27	-2.2%	-2%	-7%
COPPER 3M (\$/Ton)	6236	1.1%	-4%	-9%
NIFTY	11619	-0.79%	-0.40%	9%
HANGSENG	29087	-3.31%	-2.84%	-3%
S&P 500	2946	0.96%	1.83%	11%
INR 1M FWD	0.30	0.02	0.03	0.05
INR 2M FWD	0.54	(0.00)	0.02	0.10
INR 3M FWD	0.80	0.00	0.04	0.14
INR 6M FWD	1.54	0.00	0.09	0.21
INR 12M FWD	3.04	0.01	0.30	0.53
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	78	78	1,620	9,846
FII INVESTMENT- DEBT (\$ Mn)	(19)	(19)	(1,589)	(320)
TOTAL- (\$ Mn)	60	60	31	9,526

CURRENCY	ECONOMIC DATA
CNY	Caixin Services PMI
INR	Services PMI

### WORLD NEWSWIRE

1. China is considering cancelling this week's trade talks after Trump's tariffs threat. Chinese Vice Premier Liu He had planned to bring a large delegation to Washington on Wednesday to hash out a trade deal.
2. Chinese banks have increased their scrutiny of foreign-currency withdrawals and quietly reduced the amount of US dollars people are allowed to withdraw, tightening the country's capital controls as the nearly year-long US-China trade war bites.

### FX VIEW

Rocket man fired the rocket, Tariff Man warned and China Man retaliated. Are the first two events connected? Conspiracy theorists may hint at so. North Korea is seen as a nation which dances to the tune of China and many have said that China may have used North Korea as bargaining chip in its negotiations with US on trade, economic and even geo-political issues. Therefore, for North Korea to fire off missiles into the sea on Friday may have been the early warning sign that talks between US and China could be reaching a breaking point. Nevertheless, there is still time for the talks to revive, as we have seen in the past. A telephone call from across the Pacific can change things. US President has offered time till next Thursday, after which tariffs on USD 200 billion of Chinese goods, go up from 10% to 25%, with the risk of US imposing the 25% tariffs on additional USD 300 billion of Chinese goods.

Today morning global markets are off their rockers. Chinese Yuan has collapsed by 1%, trading at 6.81 and Brent is at 69.00. However, a low oil price is not going to benefit Rupee as Rupee will recouple with Yuan and other EM currencies, which are all under pressure against USD. Keep an eye on the US stock market. Thanks to the 25% increase in S&P500 index from the December 2018 lows, speculators are holding record shorts in the VIX futures (volatility index). A short squeeze now, due to US-Sino trade war can trigger sharp fall in US stock market, which can then ripple across the world markets. However, the positioning is not as stretched as it was during February 2018, as this time around, speculators are also long long volatility through products like VIX ETP. Therefore, even if the risk intensifies, the collateral damage from VIX spike into S&P500 may not be as damaging as last year. Having said that, we need to watchful.

USDINR is trading around 69.40, just 18 paise above its Friday close, surprising considering the mayhem in Asian equity and Asian currencies. However, it could be due to the sharp fall in Brent crude, which is now at 69.00 dollar to a barrel. Inflows have been quite robust in the equity segment, thanks to the election rally, and with oil now down, the outflows from debt can stop. However, risk is that if the sell-off in global stock markets intensify, then there can be some outflows from equity back here, which can hurt the Rupee. All in all, for now, there is low risk of a sharp decline in the Rupee.

### TECHNICAL VIEW:

Intermediate trend is still downward for USDINR as long as the pair is holding below 70.50 on spot. However, due to global events and suspected RBI intervention, sharp swings between 69.00 and 70.00 can continue to occur. Buying closer to 69.00, with stop below 68.80 and sell closer to 70.00/70.20 with stop above 70.50 spot. On INR crosses, EURINR is a sell on rise as long as below 79.50 on spot. On GBPINR, buying can be done on decline with stop below 89.80. On JPYINR, buying on decline remains the trade, with stop below 61.00 on spot.

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Source: Bloomberg

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