

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	68.58	-0.04%	-0.4%	7%
EUR/INR	79.30	-0.36%	-1.8%	5%
GBP/INR	89.14	-0.34%	-2.2%	7%
JPY/INR	61.60	0.05%	-1.2%	7%
EUR/USD	1.1562	-0.05%	-1.6%	-2%
GBP/USD	1.2998	-0.02%	-2.1%	0%
USD/JPY	111.34	0.08%	0.8%	1%
USD/CNH	6.8384	-0.11%	2.6%	2%
10 YR YIELD- IN	7.75	(0.01)	(0.12)	1.31
10 YR YIELD- USA	2.95	0.01	0.13	0.69
GOLD (\$/Oz)	1,216	0.1%	-3%	-3%
SILVER (\$/Oz)	15.46	0.3%	-4%	-5%
BRENT CRUDE (\$/Brl)	73.43	0.3%	-5%	40%
COPPER 3M (\$/Ton)	6206	1.1%	-4%	-2%
NIFTY	11424	0.55%	6.04%	13%
HANGSENG	27862	0.67%	-1.60%	1%
S&P 500	2840	0.46%	2.92%	15%
INR 1M FWD	0.25	(0.00)	0.01	(0.00)
INR 2M FWD	0.51	(0.01)	0.01	0.02
INR 3M FWD	0.75	(0.01)	0.03	0.01
INR 6M FWD	1.51	(0.01)	0.05	0.02
INR 12M FWD	3.01	0.01	0.04	0.23
	1 DAY	MTD	QTD	YTD
FII INVESTMENT- EQ (\$ Mn)	(81)	(121)	87	(535)
FII INVESTMENT- DEBT (\$ Mn)	112	313	418	(5,691)
TOTAL- (\$ Mn)	31	192	505	(6,226)

CURRENCY	ECONOMIC EVENT
EUR	German Factory Order
EUR	Sentix Investor Confidence

INDIA NEWSWIRE

1. According to media reports, government is likely to hike import duty on about 300 textile products to boost domestic manufacturing and create employment opportunities

WORLD NEWSWIRE

1. Downing Street has insisted that Theresa May is confident of securing a Brexit deal with Brussels despite Liam Fox's assertion that the UK appears set to crash out of the EU without reaching an agreement.

FX VIEW

It has been nearly 6 weeks now, USDINR has been caught oscillating between 68.20/25 and 69.00 on spot. Bulk of that trading has been within an even narrower range of 68.35/40 and 68.80 on spot. RBI is happy shooting down any intruders above 68.80 but at the same time, speculators are keen on buying Dollars closer to the lower zone of the range. There are two choices in front of the trader when market becomes so choppy. First choice, do nothing till it ranges but be quick to participate once the first sign of trend emerges, but if you exercise this choice, you will be unpopular with your broker, though it can save you emotional/financial capital. Second choice, is to act. If you decided on the latter, then read on. There are three ways to participate in the market:

1) Wait for USDINR to travel to range extremes, i.e, buy when it settles between 68.25/30 on spot or closer and sell when it travel towards 68.90/69.00 on spot or closer. Stops need to be placed below the support zone and above the resistance zone. Beware of false break away moves.

2) If you cannot wait for range extremes, then search for a new 1 Rupee coin. Balance it between your index finger and your thumb. Take a deep breath and flip it in the air. Heads you buy, tails you sell.

3) One can even think of shorting market neutral options structures like straddle and strangles, on August series on NSE/BSE, and collect the premium. Risk to the trade if USDINR breaks out of the range, then you can suffer losses and you also have to be quick to exit it, as otherwise, losses can multiply. As long as the range survives, you are going to make money on such structures.

On Friday, PBOC came down heavily on short sellers as they hiked margin on forward trades from 0% to 20%. Contrary to market opinion, we have long argued that China is not in a position to use weak currency as a weapon. Chinese economy is dangerously leveraged and poorly imbalanced due to lack of domestic consumption engine. A weak currency would do harm than good, as it can trigger more outflows, which in turn can undermine the Chinese financial system. A weak currency would harm the household sector and therefore make the consumption engine even weaker, something the Chinese policy makers do not want. Hence, we can say China is caught between a rock and a hard place in the currency. Damn if they act, doomed if they do not.

On majors, GBP and Euro are under pressure as market has till now shrugged off a tepid job additions in the US economy. US economy continues to do well and US job market remains tight and that fact cannot be changed by one NFP data. GBP right now is like a specially able kid due to Brexit. It will sway with the developing headlines. Technically, EURUSD remains in a downtrend and sell on rise remains the trade with stops above 1.16. GBPUSD remains in a downtrend and sell on rise can done with stops above 1.32. USDJPY is a buy with stops below 109.50.

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