

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	71.74	-0.03%	4.0%	11%
EUR/INR	83.49	0.46%	4.9%	8%
GBP/INR	92.64	0.73%	3.8%	10%
JPY/INR	64.46	0.23%	4.2%	9%
EUR/USD	1.1636	0.05%	0.7%	-2%
GBP/USD	1.2913	0.06%	-0.2%	-1%
USD/JPY	111.31	-0.20%	-0.1%	2%
USD/CNH	6.8518	0.14%	-0.2%	5%
10 YR YIELD- IN	8.06	0.01	0.29	1.55
10 YR YIELD- USA	2.90	(0.00)	(0.04)	0.80
GOLD (\$/Oz)	1,199	0.2%	-1%	-10%
SILVER (\$/Oz)	14.20	0.1%	-7%	-21%
BRENT CRUDE (\$/Brl)	77.14	-0.2%	5%	42%
COPPER 3M (\$/Ton)	5871	1.0%	-5%	-15%
NIFTY	11514	0.32%	1.12%	16%
HANGSENG	27114	-0.48%	-2.54%	-2%
S&P 500	2889	-0.28%	1.34%	17%
INR 1M FWD	0.28	(0.00)	0.03	0.04
INR 2M FWD	0.55	0.00	0.04	0.10
INR 3M FWD	0.79	0.02	0.04	0.11
INR 6M FWD	1.53	0.04	0.02	0.17
INR 12M FWD	3.10	0.09	0.10	0.36
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	227	430	360	(261)
FII INVESTMENT- DEBT (\$ Mn)	(239)	(342)	118	(5,991)
TOTAL- (\$ Mn)	(11)	88	478	(6,252)

CURRENCY	ECONOMIC EVENT
USD	ADP Non-Farm Employment
USD	ISM Non-Manufacturing PMI

INDIA NEWSWIRE

- India's services PMI slid to 51.5 in August, from the 21-month peak of 54.2 in July due to slowdown in the pace of growth of business activity and orders for exports.

FX VIEW

Yesterday, Dollar Rupee, local stocks and Goisec, all moved in tandem. By mid-day, USDINR squeezed higher towards 71.97 on spot, 10 year yield spiked above 8.11% and Nifty fell a percent. However, the markets reversed direction, as global equities saw signs of recovery. Sell-off was triggered by a sharp decline in equity markets in China and Hongkong. By the close of day, Dollar Rupee retraced half it's gains as alleged intervention from the central bank was quite heavy.

Overnight, US stock markets fell sharply led by weakness in tech heavy Nasdaq. Twitter CEO Jack Dorsey and Facebook COO Sheryl Sandberg both testified in front of Congress, addressing issues surrounding online election meddling and abuse on social platforms. There were also reports that the U.S. Department of Justice and state attorneys general will meet this month to discuss concerns that social media platforms are "intentionally stifling the free exchange of ideas. Tech shares have been the darling of the decade old bull run in US equities, so if they are going to come under sustained pressure, it can become a negative factor for the US Dollar.

For the Rupee to reverse direction, alignment of the external factors have to change as well. On a positive note it appears that oil may have found a ceiling for now, around 80 dollars on the dated Brent contact. Euro and GBP have stopped sliding and they are looking to be building a near term bottom. However, commodity currencies like Aussie Dollar, Kiwi and Loonie are yet to find a floor. EM currencies too are resting close to their yearly lows. Once these currencies reverse gear and appreciate, we could see Rupee benefit. Government of India rightfully stayed away from trying to feed the mini panic amongst the market participants. Indian macros are solid but the financial economy is in stress, which are primarily affected by external factors. RBI is doing an incredible work, by intervening just enough to keep Rupee in line with other EM currencies. Over the past few years, RBI has faced numerous challenging situations but they have commanded themselves very well. Monetary policy making has been astute and pragmatic. They have maintained flexibility and room to react to evolving situations from financial markets or from shocks like GST or demonisation. However, at the same time, RBI has stuck to the core principle of maintaining a decent real rates in the country, which is extremely important for an emerging market nation. Indian Rupee has suffered immensely over the decades due to lack of focus on positive real rates. A stable currency goes a long way in promoting consumption and investment climate in the country.

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 71.40 levels on spot, with stops on a daily closing basis below 71.00. Upside targets are round numbers, viz., 72.00 and 72.50 on spot. Nevertheless, in case of a close below 71.00, downside targets will be 70.70 and 70.40 in the corrective trend. EuroUSD is trying to clear the overhead supply zone between 1.1650/1.1700 levels. Therefore, we would wait for a dip towards 1.1550/1.16 to enter fresh longs with stops on a daily close below 1.15 levels.

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