

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.90	0.61%	-3.0%	9%
EUR/INR	80.42	0.48%	-3.5%	5%
GBP/INR	90.19	0.18%	-5.5%	4%
JPY/INR	62.76	0.62%	-2.8%	8%
EUR/USD	1.1343	-0.01%	-0.7%	-4%
GBP/USD	1.2721	-0.10%	-2.9%	-5%
USD/JPY	112.74	-0.40%	-0.6%	0%
USD/CNH	6.8824	0.33%	-0.6%	4%
10 YR YIELD- IN	7.38	(0.06)	(0.42)	0.35
10 YR YIELD- USA	2.89	(0.02)	(0.33)	0.56
GOLD (\$/Oz)	1,239	0.1%	1%	-2%
SILVER (\$/Oz)	14.46	-0.3%	-1%	-9%
BRENT CRUDE (\$/Brl)	61.29	-0.4%	-15%	0%
COPPER 3M (\$/Ton)	6175	-0.5%	0%	-6%
NIFTY	10718	-0.60%	1.79%	7%
HANGSENG	26116	-2.62%	-0.02%	-7%
S&P 500	2700	-3.24%	-1.40%	3%
INR 1M FWD	0.24	(0.02)	(0.02)	0.01
INR 2M FWD	0.47	0.00	(0.04)	0.04
INR 3M FWD	0.70	0.02	(0.04)	0.05
INR 6M FWD	1.42	(0.03)	(0.10)	(0.04)
INR 12M FWD	2.79	(0.04)	(0.25)	(0.05)
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	4	27	(2,857)	(4,863)
FII INVESTMENT- DEBT (\$ Mn)	60	(160)	(623)	(7,732)
TOTAL- (\$ Mn)	64	(133)	(3,480)	(12,595)

CURRENCY	ECONOMIC DATA
USD	ADP Non-Farm Employment Change
USD	ISM Non-Manufacturing PMI

### FX VIEW

RBI policy came and went. Rupee zig zagged within a 25 paise range, as there was nothing much for the currency traders to take away from the policy. The impact was much more lasting in the bond market, for the following reasons:

- RBI downgraded its outlook on headline CPI inflation by ~ 120 bps for second half of FY19 and ~60 bps for first half of FY20.
- They have also mentioned more OMOs till the end of FY20 to infuse liquidity in the banking system Indian 10 year bond yields are now at 7.42% from day's high of 7.58%.

The highlights of the policy:

- Repo rate is kept the unchanged, unanimously
- Stance was kept intact at calibrated tightening but the decision had one dissenting vote from Prof. Dholakia
- RBI announced the following market reforms:

(1) external benchmarking of new floating rate banks' loans for retail & MSMEs

(2) reduction in SLR by 25 bps each quarter to 18%

• RBI kept a cautious stance on inflation due to elevated levels of core inflation and upside risks to inflation from sudden reversal in food prices, higher government spending and reversal in oil prices. It seems RBI would continue to make all excuses for a no change in stance till core inflation subsides.

• They have continued to exude confidence in the economic growth as growth outlook has been kept unchanged. They continue to reiterate that output gap has virtually closed. Another signal that RBI sees no chance of an accommodative monetary policy. All in all we can expect a pause in key policy rates for the medium term and if inflationary pressures remain at bay for the next couple of months, then a reversal in stance to neutral can occur early part of next year.

Overnight US markets were shut for a day of mourning for late President George H.W. Bush, so there wasn't much action on dollar pairs. However, US stock futures and Asian equity markets are bleeding as news surfaced that Canada has arrested Huawei's global chief financial officer in Vancouver, where she is facing extradition to the United States. The arrest is related to violations of U.S. sanctions on Iran. This development has provoked outrage from China and complicating thorny trade negotiations just as they enter a critical juncture. Due to the global risk off mood, USDINR may open higher around 70.80 on spot from 70.46 close. For the day, global equity trend will continue to guide Dollar Rupee. However, focus will be on OPEC meeting as well. Market probably has priced in a cut around a million barrels of output a day. If the actual number is more than 1.5 million barrels a day, then it can cause Brent crude oil to rally and would adversely impact Rupee. Apart from OPEC other important data is going to be from US: ISM services and ADP employment surveys. A stronger than expected data can be positive for USD.

\*\*\*\*\*CHART IS ON NEXT PAGE\*\*\*\*\*



Source: Bloomberg

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