INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	71.36	-0.13%	1.6%	10%
EUR/INR	80.94	-0.06%	0.7%	3%
GBP/INR	92.40	0.23%	3.1%	3%
JPY/INR	65.02	-0.06%	0.8%	10%
EUR/USD	1.1341	0.00%	-0.9%	-7%
GBP/USD	1.2949	-0.02%	1.8%	-7%
USD/JPY	109.78	-0.04%	0.9%	1%
USD/CNH	6.7860	0.02%	-1.0%	6%
10 YR YIELD- IN	7.29	(0.03)	(0.24)	(0.18)
10 YR YIELD- USA	2.64	(0.01)	(0.09)	(0.18)
GOLD ($/Oz)	1,309	-0.1%	2%	-1%
SILVER ($/Oz)	15.69	-0.3%	0%	-4%
BRENT CRUDE ($/Brl)	61.17	-0.7%	4%	-6%
COPPER 3M ($/Ton)	6246	-0.5%	5%	-9%
NIFTY	11033	-0.33%	2.14%	4%
HANGSENG	27857	-0.47%	8.71%	-14%
S&P 500	2706	-0.94%	5.11%	5%
INR 1M FWD	0.23	0.00	(0.01)	(0.01)
INR 2M FWD	0.47	(0.01)	0.01	(0.04)
INR 3M FWD	0.73	(0.00)	0.03	(0.06)
INR 6M FWD	1.45	(0.01)	0.02	(0.02)
INR 12M FWD	2.84	(0.01)	0.00	0.02

	1 DAY	MTD	QTD	CTD
FII INVESMENT- EQ ($ Mn)	153	297	222	222
FII INVESMENT- DEBT ($ Mn)	(38)	(305)	(672)	(672)
TOTAL- ($ Mn)	115	(8)	(450)	(450)

CURRENCY	ECONOMIC DATA
EUR	French Industrial Production
EUR	Italian Industrial Production

FX VIEW

The six-member monetary policy committee, headed by newly appointed RBI Governor Shaktikanta Das, voted four against two in favour of a cut. A laudable move considering the fact that between three mandates: inflation, growth and financial stability, first one is not a problem but last two are become somewhat. Growth has slowed, especially consumption growth and the NBFC mess is threatening to knock growth further and create stress in the financial sector. In such a circumstance, RBI did what it can do and what was needed, that is, to become pro-active. It not only lowered rates but opened the room for more rate cuts in the future. They also assured markets that interbank liquidity would be kept at comfortable levels. Though RBI pumping up the narrow money by way of FX intervention and OMOs would not directly help the liquidity stress in the NBFC sector, but it will at least prevent any compounding effect from a tight liquidity in the interbank space. During times of stress, money supply achieves a tall hierarchy, where central bank liabilities, aka, reserves and notes, and then commercial bank liabilities, aka, deposits and CDs are preferred over those of private players, in this case, liabilities of NBFCs. As a result of this hierarchy, cost of money becomes quite expensive for the folks lower down the pecking order but for the higher up, cost declines, causing credit spreads to widen significantly. The liquidity stress has not reached levels where it can cause a crises in the system, but one thing is clear, RBI is clear watching the developments. For information, during the credit crises of 2008 or 2011-12, hierarchy of money had become so steep and discontinuous that the Fed and ECB had to step in to mop up non-bank assets to ensure the hierarchy flattens and crises abates.

In its forecast on growth and inflation, MPC expects Jan-March'19 CPI inflation to remain subdued at 2.8%. For the first half of FY20 it revised down its inflation forecast to 3.2-3.4% from 3.8-4.2% and to 3.9% in 3QFY20 with risks broadly balanced. The governor noted that the inflation expectations of households have softened by 80 basis points for the three-month horizon ahead and by 130 basis points for the 12-month horizon. Assessment of producer level inflation has also eased in the December quarter while growth in rural wages moderated. The governor said that, " while the RBI did acknowledge that core inflation at an elevated level (above 5 per cent) tends to be more persistent and pushes up the headline numbers, the central bank's projection of inflation at 3.9 per cent for the rest of the calendar year does factor in such stickiness." Therefore, with repo rate around 6.25% and headline CPI expected to remain at or below 4%, RBI has the room to reduce rates by another 50-75 bps, without sacrificing on the objective of keeping real rates above 125 bps. Threat to the outlook would materialise, if circumstances cause RBI to upgrade its 1 year inflation outlook to above 4.50%.

Apart from its rates decision, RBI has announced a number of measures on financial markets and on the banks and NBFCs. The central bank allowed bidders for companies undergoing insolvency resolution to tap external commercial borrowings to pay the domestic rupee debt of target companies. It allowed banks to assign risk-weights for loans given to NBFCs, based on their credit ratings. Also, the RBI harmonised different categories of NBFCs. It also removed single-issuer limit of 20% for corporate bonds for FPIs. There is strong appetite for corporate bonds from FPI. Till date FPIs have exhausted 70% of the limits in that category, with another $12 billion left to be utilised. Such a move can be helpful. At the same time, RBI has trained its attention to improving the liquidity in moribund IRF market and also making onshore Rupee market globally competitive.

There has been a dramatic change in the performance of INR since Budget and RBI meeting. We have enclosed the charts in the next page. Technical range to play USDINR spot is 71.00/71.30 to 71.70/90 levels.

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

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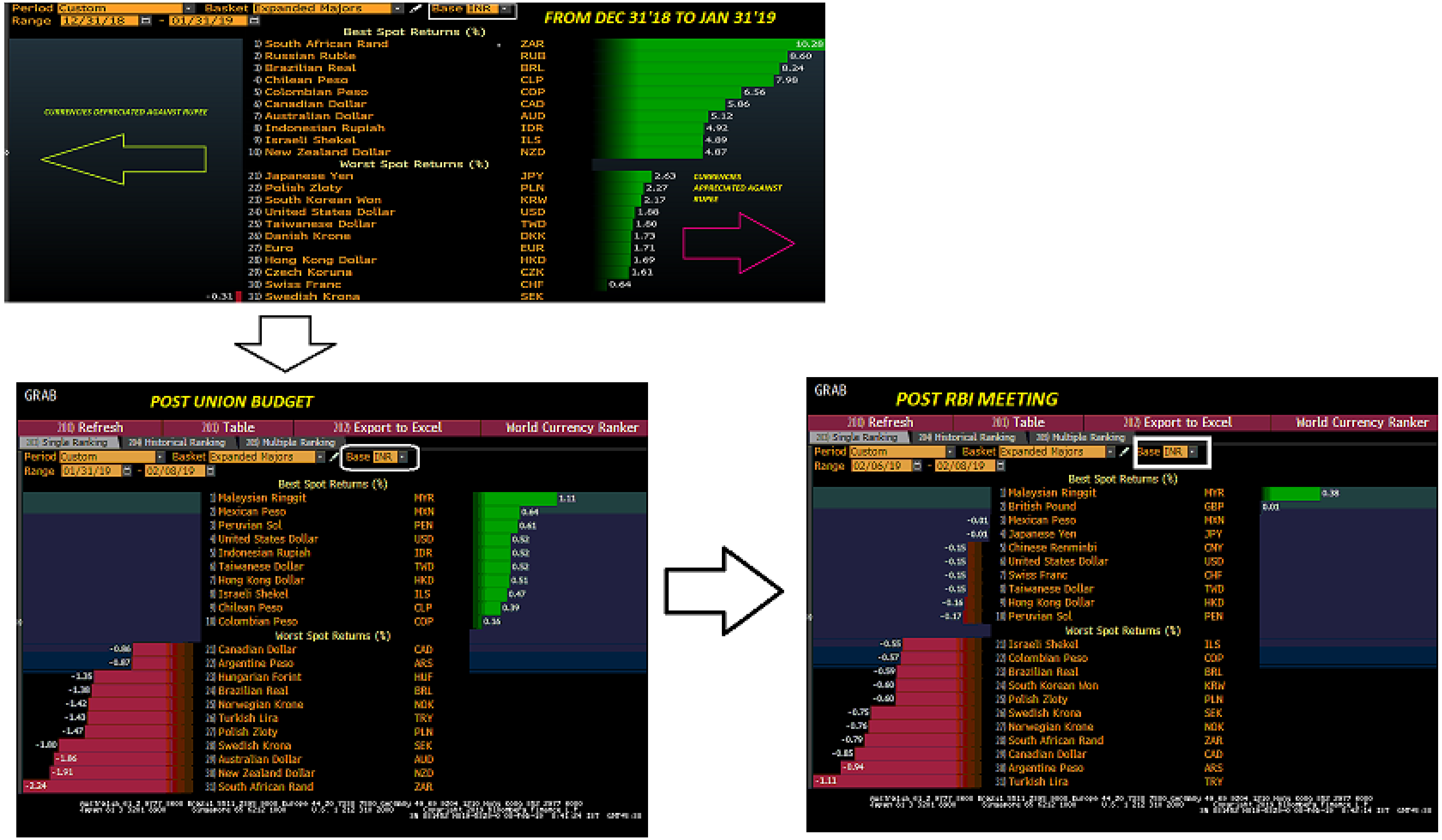

INDIAN RUPEE HAS CHANGED COLOUR POST UNION BUDGET AND ALSO POST RBI. EARLY DAYS, BUT HAVE THESE REDUCED SOME AMOUNT OF DOMESTIC RISKS IN THE CURRENCY? WE NEED TO WATCH. UNION BUDGET MAY HAVE REMOVED THE RISK OF A PROFLIGATE GOVERNMENT. AT THE SAME TIME, BUDGET MAY HAVE INCREASED THE ODDS OF BJP IMPROVING ITS SEAT TALLY. LET US SEE.

RBI MEETING TOO HAS ADDED TO THE FEEL GOOD FACTOR.

Source: Bloomberg

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