

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.13	0.18%	-1.7%	7%
EUR/INR	78.55	-0.84%	-3.0%	-3%
GBP/INR	91.84	-0.19%	-0.6%	2%
JPY/INR	62.96	0.37%	-3.2%	2%
EUR/USD	1.1198	0.04%	-1.1%	-9%
GBP/USD	1.3095	0.08%	1.2%	-5%
USD/JPY	111.38	-0.18%	1.5%	5%
USD/CNH	6.7298	-0.06%	-0.8%	6%
10 YR YIELD- IN	7.39	0.00	0.05	(0.27)
10 YR YIELD- USA	2.64	0.00	0.01	(0.22)
GOLD (\$/Oz)	1,287	0.1%	-2%	-3%
SILVER (\$/Oz)	15.05	0.2%	-5%	-9%
BRENT CRUDE (\$/Brl)	65.83	-0.7%	6%	3%
COPPER 3M (\$/Ton)	6424	-0.7%	3%	-8%
NIFTY	11035	-0.21%	0.83%	8%
HANGSENG	28374	-1.41%	1.53%	-7%
S&P 500	2749	-0.81%	1.52%	0%
INR 1M FWD	0.28	0.00	0.06	0.02
INR 2M FWD	0.57	0.00	0.09	0.05
INR 3M FWD	0.80	0.00	0.07	0.07
INR 6M FWD	1.50	0.00	0.05	0.16
INR 12M FWD	2.84	(0.03)	(0.01)	0.33
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	197	519	2,815	2,815
FII INVESTMENT- DEBT (\$ Mn)	155	167	(1,486)	(1,486)
TOTAL- (\$ Mn)	351	686	1,329	1,329

CURRENCY	ECONOMIC DATA
USD	Non-Farm Employment
USD	Building Permits

FX VIEW

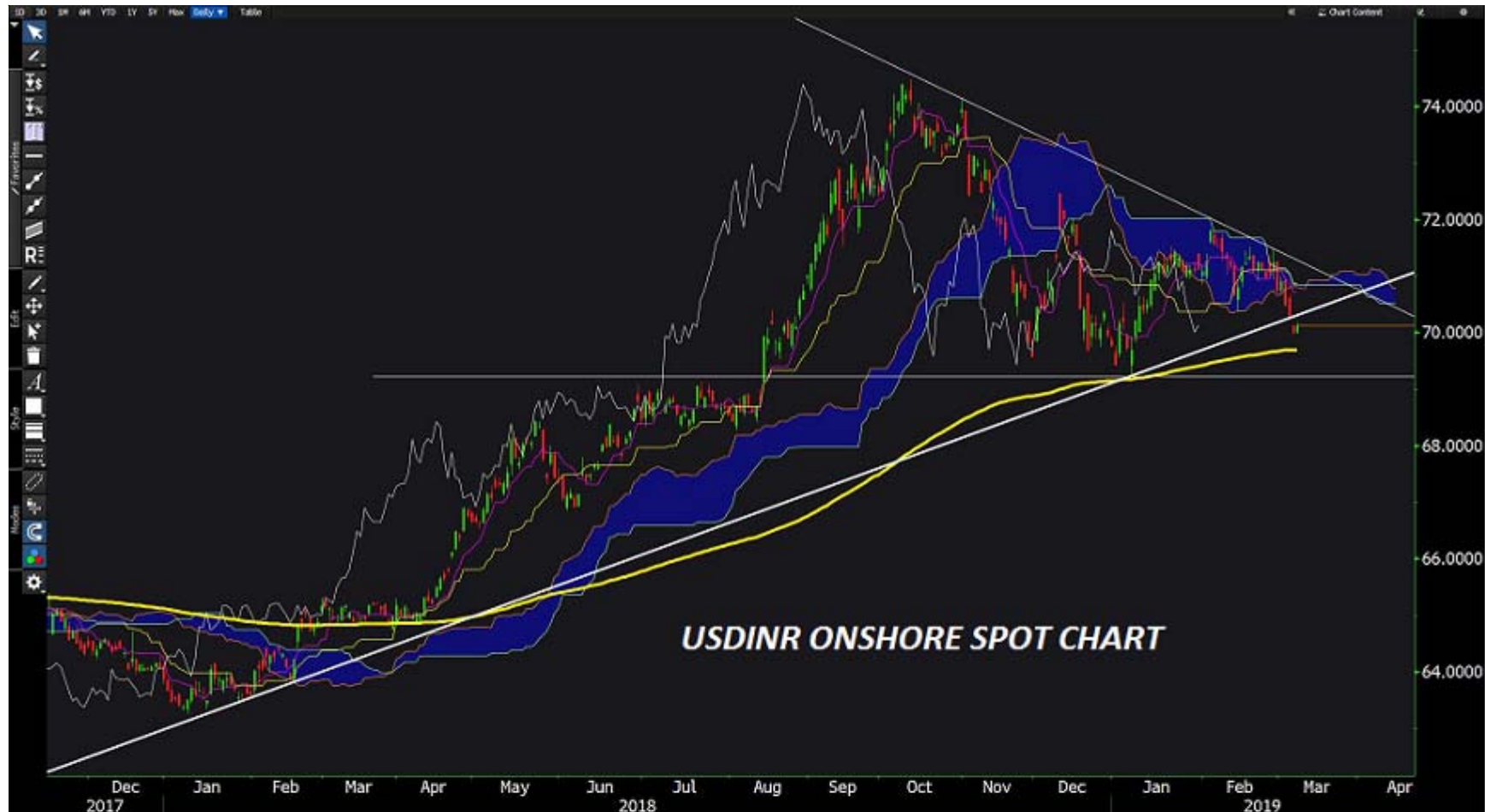
It was the European Central Bank night yesterday and they announced the following:

1. The forward guidance was prolonged, and the Governing Council now expects the key ECB interest rates to remain at their present levels at least through the end of 2019, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term. "In other words, ECB is not looking to hike rates anytime soon. So that chapter is shut for now as economic data has been horrendous from the Eurozone."
2. Reinvestments under the asset purchase programme will continue for an extended period of time past the date when it starts raising the key ECB interest rates. "In other words, they will not do what Fed is doing that is quantitative tightening in the foreseeable future."
3. New round of targeted longer-term refinancing operations will be launched in September, with two-year maturities and a rate indexed to the main refinancing operation (currently 0.00%). "ECB announced 2 year TLTRO and now the rate will be MRO and not deposit rate. It raises the cost of financing by 40 bps for EZ banks as deposit rate is negative 40 bps. Therefore it considerably less generous compared to the previous two TLTROs. That may have been the reason why EZ banking stocks tanked. "
4. Full-allotment procedure will continue at least until March 2021. "Which means, whatever demand will come for TLTRO from the banks, they will be met.

Draghi in the presser hinted that threshold for another QE is very high or simple words, there has to be more economic before ECB consider more QE. However, Draghi mentioned that several members had suggested extending the forward guidance until the end of March 2020, which is beyond the last date for Draghi to be the ECB chief, which is in October. Here ECB may remain flexible and even consider pushing the rate hike consideration well into 2020 if the situation warrants. With TLTRO terms having been made stringent banks may not look to rollover the entire 739 billion of outstanding TLTROs into the new scheme. If that be the case then interbank liquidity can tighten considerably next year. However, FX market is not bothered about that as it is happy to clobber Euro. EURUSD has dropped by 120 pips and is now trading at 1.1195. EURINR would gap lower sharply. A counter trend bounce can occur but we expect any intra-day bounce to be met with fresh selling on Euro pairs. As a result, we would be inclined to sell both, EURUSD and EURINR on rise. Stops need to be placed above 1.13 for EURUSD and 79.50 on EURINR.

Now on USDINR, offshore market has not reacted much to the sharp Dollar rally last night. European stocks and US stocks were hammered as ECB lowered their guidance on economic growth and inflation and raised concerns over rising trade protectionism. USDINR may open around 70.12, 12 paise higher. With year-end approaching, exporters would remain an active seller of Dollars. However, rising Dollar overseas may place a floor under USDINR. With a strong Dollar in the overseas market, RBI may step into buy Dollars against Rupee to prevent a sharp appreciation in Rupee on a REER basis. . If we consider BIS REER, INR is a bit overvalued when measured using Z-score. Therefore, if we do not see much follow through below 70.00, we would cover shorts and look to go long on USDINR. Technically USDINR has support around 69.70, which the annual average and then there is a cluster of lows between 69.40/50 levels on spot, followed by 69.22 as the 2019 low. Resistance is around 70.50 and above that it can aim for 71.15/30 on spot.

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



USDINR is trading below the trendline support which has held for almost a year. Prices are sustaining below cloud and lower tops and lower bottoms are clearly marked. All signs point towards a downtrend.

However, if USDINR trade inside the trendline @ 70.35, then it can a signal that a rebound towards the cloud can occur @ 70.90/71.00 levels. Support is around 69.70 (annual average). Incase of a convincing breach of the annual average, USDINR may test the cluster of lows between 69.40/50 levels.

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