

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.84	-0.06%	3.1%	3%
EUR/INR	79.41	0.11%	3.0%	0%
GBP/INR	86.17	0.09%	0.2%	-2%
JPY/INR	66.74	0.09%	5.4%	7%
EUR/USD	1.1209	0.09%	0.0%	-3%
GBP/USD	1.2163	0.16%	-2.8%	-6%
USD/JPY	106.16	-0.10%	-2.4%	-5%
USD/CNH	7.0699	-0.23%	2.6%	3%
10 YR YIELD- IN	6.38	0.01	(0.19)	(1.40)
10 YR YIELD- USA	1.73	(0.01)	(0.32)	(1.23)
GOLD (\$/Oz)	1,501	0.0%	8%	24%
SILVER (\$/Oz)	17.17	0.4%	14%	11%
BRENT CRUDE (\$/Brl)	57.85	2.9%	-10%	-20%
COPPER 3M (\$/Ton)	5705	0.4%	-3%	-8%
NIFTY	10896	0.37%	-5.73%	-5%
HANGSENG	26170	0.67%	-7.63%	-8%
S&P 500	2884	0.08%	-3.09%	1%
INR 1M FWD	0.22	0.00	(0.04)	(0.03)
INR 2M FWD	0.46	0.03	(0.03)	(0.03)
INR 3M FWD	0.69	(0.02)	(0.05)	(0.09)
INR 6M FWD	1.39	0.00	(0.15)	(0.12)
INR 12M FWD	2.90	0.01	(0.33)	(0.11)
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	(264)	(1,157)	(3,092)	8,247
FII INVESTMENT- DEBT (\$ Mn)	(44)	(74)	1,152	2,580
TOTAL- (\$ Mn)	(308)	(1,231)	(1,940)	10,828

CURRENCY	ECONOMIC DATA
CNY	Trade Balance

### WORLD NEWSWIRE

1. US president said that Fed must cut rates "bigger and faster" for US to be competitive against other countries.

### FX VIEW

The central bank has traditionally balanced its policy narrative between growth imperatives and inflation management, but the policy focus now seems solely reassigned to boosting growth and rightly so. RBI reduced rates by an unconventional quantum of 35 bps to 5.4%, lowest since 2010. It is a clear sign that central bank is becoming aggressive on rate cuts. Central bank maintained the accommodative stance and which is a clear sign that with inflation no longer a worry, both headline and core inflation trajectory remaining southbound, RBI is going to reduce rates much more in the coming months. We expect another 50 bps reduction in repo rates over the remainder of FY20.

As part of the package to improve aggregate demand, the central bank has ensured easy credit flow to consumer credit and to NBFCs. In the accompanying statement on development and regulatory policies, RBI has reduced the risk weight banks need to attach to consumer credit to 100% from 125%, in the hope that this will make the banks to focus on consumer lending even more. On NBFCs, RBI relaxed the prudential limits on a bank's exposure to a single NBFC from 15% of its tier I capital to 20%. Second, banks can meet their priority sector credit targets by lending to NBFCs for on-lending to agriculture investment, MSMEs and affordable housing.

As expected the rate cut failed to boost the Rupee as Rupee depreciated after an initial appreciation post announcement. Equity markets failed to hold onto the gains and slipped nearly a percent by the close. Bond prices down marginally as yields on 10 year rose by 3 bps at 6.37%. Fall in the Yuan weighed on global equity markets and currency markets and that spilled over into the domestic shores as well.

In economic news, RBI's consumer confidence survey reported a drop in consumer confidence in July as Indian households remained pessimistic about jobs and the general economic situation. Weakness in household consumption has been a major drag on India's GDP. In that light, a further drop in consumer confidence does not augur well for future growth. RBI has reduced its forecast for FY20 GDP to 6.9% but that number appears quite optimistic and the final figure we fall short of that estimate.

Overnight US stocks yo-yoed wildly but closed in the green. Asian equity indices are trading higher today. Dollar Yuan is steady around 7.07 on the CNH. Brent crude is trading below 58 handle. All in all it appears that Rupee may open flat, around 70.88/90 levels on spot. We expect the pair to remain well supported above 70.50 levels on spot. Hence, bias remains bullish on the pair.

### TECHNICAL VIEW & RUPEE CROSSES:

In USDINR, trend is upward. USDINR is exhibiting a high correlation with USDCNH. USDINR is managing to hold the double bottom breakout zone near 70.50, on every intra-day correction, which is bullish. We would look to go long on decline. Upside targets: 71.50 & 71.80 zones on spot. Only a failure to hold above 70.00, would be bearish. In Rupee crosses, EURINR trend reversed above 78.00 on spot. The reversal was sharp. Wait for a decline to buy with stop below 78.00 on close. on JPYINR, we remain bullish and would wait for prices to decline between 65.00/65.50 zone, before entering fresh positional long.

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



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