| INSTRUMENT | LAST PRICE | 1 DAY | 1 MONTH | 1 YEAR |
|---|---|---|---|---|
| USD/INR | 73.86 | 0.13% | 1.9% | 12% |
| EUR/INR | 85.03 | 0.14% | 1.4% | 10% |
| GBP/INR | 96.84 | 0.64% | 3.3% | 11% |
| JPY/INR | 64.87 | 0.09% | -0.5% | 11% |
| EUR/USD | 1.1512 | -0.10% | -0.7% | -2% |
| GBP/USD | 1.3111 | -0.07% | 0.7% | 0% |
| USD/JPY | 113.85 | 0.11% | 2.4% | 1% |
| USD/CNH | 6.9037 | 0.13% | 0.5% | 4% |
| 10 YR YIELD- IN | 7.98 | (0.05) | (0.05) | 1.22 |
| 10 YR YIELD- USA | 3.23 | 0.00 | 0.29 | 0.87 |
| GOLD ($/Oz) | 1,197 | -0.6% | 0% | -7% |
| SILVER ($/Oz) | 14.49 | -1.0% | 2% | -15% |
| BRENT CRUDE ($/Brl) | 83.23 | -1.1% | 8% | 50% |
| COPPER 3M ($/Ton) | 6173 | -1.9% | 5% | -8% |
| NIFTY | 10310 | -0.06% | -11.04% | 3% |
| HANGSENG | 26364 | -0.79% | -2.26% | -7% |
| S&P 500 | 2886 | -0.55% | 0.48% | 13% |
| INR 1M FWD | 0.30 | 0.02 | 0.05 | 0.05 |
| INR 2M FWD | 0.57 | 0.00 | 0.01 | 0.07 |
| INR 3M FWD | 0.83 | (0.01) | 0.06 | 0.13 |
| INR 6M FWD | 1.59 | (0.01) | 0.08 | 0.21 |
| INR 12M FWD | 3.19 | (0.06) | 0.09 | 0.42 |

| | 1 DAY | MTD | QTD | CTD |
|---|---|---|---|---|
| FII INVESMENT- EQ ($ Mn) | (307) | (736) | (736) | (2,742) |
| FII INVESMENT- DEBT ($ Mn) | (67) | (218) | (218) | (7,327) |
| TOTAL- ($ Mn) | (374) | (954) | (954) | (10,070) |

| CURRENCY | ECONOMIC EVENT |
|---|---|
| EUR | Sentix Investor Confidence |

## FX VIEW

It was a central bank week and volatility was exceptionally high in the Dollar Rupee. First up was Fed Chair J.Powell. He made some hawkish comments and candid ones as well. Here is an important excerpt from his speech,

"The really extraordinarily accommodative low interest rates that we needed when the economy was quite weak, we don't need those anymore. They're not appropriate anymore. We need interest rates to be very gradually moving back toward normal. And that's what we've been doing now for basically three years, and interest rates have just now in real terms [adjusted for inflation] moved above zero. Interest rates are still accommodative, but we're gradually moving to a place where they will be neutral - not that they'll be restraining the economy. We may go past neutral, but we're a long way from neutral at this point, probably."

A clear signal that Fed remains confident that the US economy and the US financial markets can withstand further rates hikes. Some parts of the rate market has started to factor in 5 more hikes between now and end of 2019, that means 1 hike each quarter. This has helped the yield curve to bear steepen. A steepening yield curve in US can have similar effect on yield curve in EM economies where economic momentum is holding up, viz., India. Apart from Fed chair speech, Fed also released its weekly balance sheet data where it showed that unwind of QE has shrunk the Fed balance sheet since October 2017, when the unwind began, by USD 285 billion. At USD 4,175 billion, total assets are now at the lowest level since March 2014. Rising rates/yield and falling excess liquidity in Dollar, augurs poorly for EM currency like Rupee.

Post Fed, it was turn of RBI to pleasantly surprise the market with a “status quo” on rates but they dialed up the stance on future policy direction to “mildly hawkish” from “neutral”. The change of stance is not unexpected as the central bank cannot keep hiking rates and sound hawkish in its press meet, and at the same time maintain a neutral stance in the official statement. However, decision to not raise rates appears sensible to us. RBI is targeting inflation and with headline inflation still grinding below 5%, it would have not made sense for RBI to jump the gun. RBI downgraded inflation forecast by 20-30 bps, expecting headline CPI to remain below 5% till June 2019. However, they have also flagged upside risks to inflation from global as well as domestic factors. We do not see much impact from RBI policy on Rupee. Rupee will now be driven by how the following markets are behaving, between risk-on and risk-off: 1) Indian stock market 2) NBFC stocks & corporate bonds 3) Oil prices 4) EM currencies like CNH & to some extent how USD behaves against DM currency like Euro.

The concluding central bank action came from PBOC. They decided on Sunday to cut the requirement reserve ratio for RMB deposits by one percentage point starting from Oct. 15. China is going all out to counter the economic slowdown and the impact of trade-war on Chinese businesses. There are reports of China opening up the credit tap to pump up investments in the economy and even reduce taxes to help consumers. As China eases more on its money supply and cost of credit, at a time, when Fed is just doing the opposite, it can weaken the Yuan further. However, how much the currency will weaken will depend on how strong the Chinese central bank defends the so called "Maginot line" between 6.95/7.00 on spot. Remember, a weak Yuan will add more downward pressure to the Indian Rupee.

Technically, USDINR remains in a primary uptrend. Corrective pullbacks are expected along the way but none of it is damaging to the tactical bullish view, unless prices close below 72.40 on spot. Resistance 74.50/75.00.

ANINDYA BANERJEE- CMT, anindya.banerjee@kotak.com

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