

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.38	0.25%	-1.4%	9%
EUR/INR	80.63	0.33%	-1.0%	6%
GBP/INR	89.64	0.12%	-1.1%	4%
JPY/INR	64.59	0.09%	2.5%	12%
EUR/USD	1.1456	0.13%	0.9%	-4%
GBP/USD	1.2736	0.15%	1.4%	-6%
USD/JPY	108.91	0.15%	-4.1%	-3%
USD/CNH	6.8400	-0.21%	-1.1%	4%
10 YR YIELD- IN	7.53	(0.11)	0.07	0.19
10 YR YIELD- USA	2.72	(0.00)	(0.12)	0.17
GOLD (\$/Oz)	1,282	-0.2%	3%	-2%
SILVER (\$/Oz)	15.63	-0.2%	8%	-8%
BRENT CRUDE (\$/Brl)	59.55	1.4%	-3%	-13%
COPPER 3M (\$/Ton)	5906	-0.3%	-4%	-17%
NIFTY	10857	0.51%	1.53%	2%
HANGSENG	26512	2.46%	1.72%	-15%
S&P 500	2574	0.97%	-2.23%	-6%
INR 1M FWD	0.24	(0.00)	(0.02)	0.00
INR 2M FWD	0.45	(0.01)	(0.03)	(0.00)
INR 3M FWD	0.71	0.00	0.01	(0.00)
INR 6M FWD	1.44	0.00	(0.03)	0.01
INR 12M FWD	2.86	0.02	0.05	0.07
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	44	(160)	(160)	(160)
FII INVESTMENT- DEBT (\$ Mn)	17	61	61	61
TOTAL- (\$ Mn)	61	(99)	(99)	(99)

CURRENCY	ECONOMIC DATA
GBP	BOE Gov Carney Speaks
USD	FOMC Member Evans & Rosengren Speaks

INDIA NEWSWIRE

- The Reserve Bank of India has set up a committee to recommend on how to 'deepen' digital payments. The five-member committee would be headed by Nandan Nilekani.

WORLD NEWSWIRE

- World bank cut global growth forecast for 2019 by 0.1% to 2.9%. The bank expects US growth to drop to 2.5% in 2019 and 1.7% in 2020, 0.3% drop from its earlier forecast. While, expects China's growth to slowdown to 6.2% in 2019 and 2020 against earlier forecast of 6.5%.

FX VIEW

US President's speech proved a non-event for markets. In the speech, US President Donald Trump demanded funding for his long-promised US-Mexico border wall. But as a relief to financial markets, in his first TV address to the nation from the Oval Office, Mr Trump did not declare a national emergency to bypass Congress and build the barrier. A national emergency would have increased political risk significantly ahead of the debt ceiling in March. As a result, Dollar bulls and equity bulls can breathe a sigh of relief. Focus now turns to US-Sino trade talks, which is progressing well, according to White House. It may be weeks before the final outcome is known.

For Rupee, major domestic economic data flow would be the IIP for November, which is expected to show a growth of around 7.1% after a growth of 8.1% in October. Indian economic momentum has slowed down as consumption growth has slowed, both private and government. The slack is being partially picked up Investments, but weak global demand remains another headwind. With government running out of avenues to generate revenues, unless RBI decides to transfers its reserves. Centre's fiscal deficit for April-November period rising to Rs 7.17 lakh crore or 114.8 per cent of the full-year target of Rs 6.24 lakh crore.

GST revenues have clocked a monthly run rate of 89.6k crores. If GST revenues have to touch the budget target, they need to increase at the rate of 1.5 lakh crore for the next three months, which looks unlikely. The shortfall could be end up being around 1.5 lakh crore, substantially large. Therefore, economic momentum may not see much of an improvement before elections. When one squares that against the lofty valuation premium Indian stocks are commanding compared to its peers in EM, forward risks appear skewed to the downside for the Rupee. Political risk premium is going to increase as we get closer to LS elections. A hung Parliament can cause this massive valuation premium to evaporate. Such high valuation would deter capital flows into Indian equity. As a result, for FPI flows there will be two areas left, bond and carry trade. With risk of fiscal slippage rising, bond market is nervous. However, carry traders may be still tempted to play the carry but fear of global volatility and political risk may prevent large scale bets. All in all, scope for Rupee to strengthen beyond 69.00 against Dollar appears less unless US Dollar faces a collapse in the global market.

TECHNICAL VIEW:

We have been long on USDINR, since 69.30/40 levels and continue to be long on USD. Pair has breached 70.20 levels on spot and can push towards 70.85/71.00 levels on spot. Bias turns neutral if prices slip below 69.90 on spot. On EURINR, buy on decline with stops below 78.00 on spot. On JPYINR, buy on decline as long as prices holding above 62.00 on spot.

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



Source: Bloomberg

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