

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	72.15	0.58%	4.6%	11%
EUR/INR	83.31	0.03%	5.3%	8%
GBP/INR	93.20	-0.04%	5.7%	9%
JPY/INR	65.01	0.45%	4.6%	9%
EUR/USD	1.1546	-0.06%	1.2%	-3%
GBP/USD	1.2917	-0.02%	1.2%	-2%
USD/JPY	111.00	0.01%	0.2%	1%
USD/CNH	6.8709	0.03%	0.0%	5%
10 YR YIELD- IN	8.09	0.06	0.33	1.54
10 YR YIELD- USA	2.94	(0.00)	0.06	0.89
GOLD (\$/Oz)	1,195	-0.2%	-1%	-10%
SILVER (\$/Oz)	14.12	-0.4%	-8%	-21%
BRENT CRUDE (\$/Brl)	77.32	0.6%	6%	44%
COPPER 3M (\$/Ton)	5933	0.1%	-4%	-14%
NIFTY	11570	-0.16%	1.23%	16%
HANGSENG	26684	-1.07%	-5.93%	-4%
S&P 500	2872	-0.22%	1.36%	17%
INR 1M FWD	0.26	(0.00)	0.00	0.04
INR 2M FWD	0.55	0.00	0.05	0.09
INR 3M FWD	0.79	(0.01)	0.04	0.12
INR 6M FWD	1.54	(0.02)	0.02	0.17
INR 12M FWD	3.08	(0.02)	0.09	0.35
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(120)	267	197	(425)
FII INVESTMENT- DEBT (\$ Mn)	(102)	(601)	(141)	(6,250)
TOTAL- (\$ Mn)	(222)	(334)	56	(6,675)

CURRENCY	ECONOMIC EVENT
GBP	GDP
GBP	Manufacturing Production

FX VIEW

Rupee is mostly to kick off the week at a fresh all-time low of 72.15 on spot. Trade tensions, oil and stronger US economic data remain the factors driving the tactical move in the pair. For the week, traders have two important pieces of data from Indian economy to chew upon, one is July industrial production data and other, consumer inflation release for August. IIP growth is expected to be around 6.6%, slower than 7%, that it scored previous month. CPI is expected to slow to 3.8% in August from 4.1% in July. Low food inflation could drag the headline but core inflation may remain elevated. We do not expect market to cheer much this low inflation print as inflation is expected to rise in coming months due a combination of higher fuel prices, weak Rupee and higher MSP. Money market is already pricing a hike in October and odds are above 80%. At the same time, odds for another hike post October is also rising steadily. Therefore, even if the yields were to decline post CPI release, we expect sellers to emerge in bonds in such a dip. Hence, Indian long bond yields and Rupee should continue to move in lockstep.

On global front, last week was all about US economy and US policy. US ISM manufacturing and services both came stronger than what market was expected. It followed by a robust jobs data for the month of August. Wage growth too came in much stronger than what the market was expecting. All in all, Fed is all geared to hike in Sept, followed by another hike in December. Market is pricing a almost even odds for a hike in March as well. Therefore, all in all three more hikes are getting priced into the USD and US rates before Fed moves to neutral on rates. If rate hike expectation was not enough, it was US President who hinted at a more tariffs on China. Trade war may continue to remain the center of attention going into the US mid-term polls. Opinion polls are giving a slight better odds to Democrats winning. If Democrats take control of the House, policy paralysis may grip US, which can then become a negative factor for the US Dollar. Therefore, with a few weeks left before the polls, we expect US administration to go all guns blazing on issues which they believe is going to get more votes. In this battle for ballots, trade remains a key bullet. Hence, watch out EM FX and EM assets, including Rupee debt and Rupee itself. Indian stocks may remain relatively immune as it is dependent more on domestic flows, than on foreign inflows.

For the week, in Euro, traders will keep a close eye on German ZEW and ECB meeting. ECB is not expected to hint at a taper in its bond buying program from \$30 billion to \$15 billion. For the time being Italian concerns have receded as Italian government has hinted at towing the line EU on budget. However, last week economic data has been poor and divergent economic performance between EU and US, may continue to remain a headwind for the Euro. Cable traders have a barrage of data to chew, viz., wage growth, inflation, industrial production and BOE meeting. However, Brexit continue to be the driver of GBP pairs. If Brexit headline continue to remain supportive GBP may strengthen against Euro and INR. Hence, we would be buyers in GBP/INR as well EUR/INR on dip..

TECHNICAL VIEW:

Technically, USD/INR remains within a primary uptrend. Unless prices are closing below 69.00, any sharp correction, 1-1.5%, is an opportunity to enter fresh longs on USD and short on INR. However, over the near term, a corrective dip cannot be ruled out. For the day, we would remain buyers closer to 71.70 levels on spot, with stops on a daily closing basis below 71.50. Upside targets are round numbers, viz., 72.10 and 72.50/70 on spot. Nevertheless, in case of a close below 71.50, downside targets will be 70.70 and 70.40 in the corrective trend.

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