

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.64	0.24%	-0.4%	3%
EUR/INR	78.72	0.55%	0.3%	-1%
GBP/INR	88.18	-0.14%	-3.2%	-2%
JPY/INR	64.06	-0.23%	0.8%	4%
EUR/USD	1.1306	-0.25%	0.6%	-4%
GBP/USD	1.2666	-0.56%	-2.6%	-5%
USD/JPY	108.64	0.41%	-1.2%	-1%
USD/CNH	6.9294	-0.21%	1.5%	8%
10 YR YIELD- IN	7.08	0.10	-0.34	-0.87
10 YR YIELD- USA	2.14	0.06	-0.33	-0.81
GOLD (\$/Oz)	1,327	-1.0%	3%	2%
SILVER (\$/Oz)	14.74	-1.9%	0%	-13%
BRENT CRUDE (\$/Brl)	63.14	-0.2%	-11%	-17%
COPPER 3M (\$/Ton)	5799	-0.2%	-6%	-21%
NIFTY	11923	0.44%	5.71%	11%
HANGSENG	27579	2.27%	-6.08%	-12%
S&P 500	2886	0.47%	0.20%	4%
INR 1M FWD	0.23	0.00	-0.03	0.00
INR 2M FWD	0.48	0.00	-0.05	0.01
INR 3M FWD	0.72	0.01	-0.06	-0.01
INR 6M FWD	1.44	0.02	-0.06	-0.01
INR 12M FWD	2.93	0.03	-0.04	0.06
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	-226	132	3,096	11,322
FII INVESTMENT- DEBT (\$ Mn)	141	470	-563	706
TOTAL- (\$ Mn)	-85	603	2,534	12,028

CURRENCY	ECONOMIC EVENT
GBP	Jobs report
USD	PPI

### WORLD NEWSWIRE

1. President Donald Trump confirmed on Monday that additional tariffs on Chinese goods will be levied if Chinese President Xi Jinping does not attend this month's G-20 meeting.
2. US President Donald Trump criticized the Federal Reserve on Monday for raising interest rates too quickly and giving the Chinese an upper hand in trade negotiations.

### FX VIEW

Overnight US stocks closed in the green with technology shares gaining most. Asia too is following on those footsteps, with most major indices up between 0.5%-1.00%. By sparing Mexico punitive tariffs and US corporations, a major threat to earnings, the immigration agreement between the US and Mexico provided a big boost for risk appetite. However, US has continued to threaten China with higher tariffs if they do not make a deal soon. G-20 meeting, later this month, is being seen as a binary event as the two leaders, Trump & XI, are scheduled to meet. Unless any of the leaders cancel their attendance at the event, risk assets may remain elevated till the event. This is positive development for Indian equity and Indian Rupee.

Dollar Rupee has seen volatility come-off significantly since the beginning of April. Inflows have continued to remain robust. In the running quarter, FPIs have bought to the tune of \$3 billion of equity shares. Though debt segment has seen a net outflow of \$0.5 billion, but over the last 3 weeks, inflows have picked up. By the end of third week of May, debt had seen an outflow of nearly \$1.7 billion for the April-June quarter. This means, since then, debt segment has seen close to \$1.2 billion of inflow. Falling yields globally, lower oil prices, dovish central bank, rising Rupee liquidity and with domestic political risk off the table, sovereign bonds have takers. However, one should not ignore the fiscal overhang. The gross borrowing is going to be significantly higher this fiscal and with so much pressure on Government to support growth, if they opt for even higher borrowing to oil the economy, it can temper the bullish outlook on bonds. Having said that, momentum still favours the bond bulls. Indian 10 year yields have jumped to 7.08 from 6.87. There will be buyers above 7.10% on the benchmark. RBI can continue to engage to support the Dollar but remember, banking liquidity is now at comfortable surplus and hence, RBI's spot intervention may diminish and forward intervention may increase. Spot intervention is generally more impactful, the forward intervention. Therefore, if Fed doubles down on its dovish outlook and Dollar weakens globally, RBI may not be able to prevent USDINR from falling below 69.00 handle.

In majors, we continue to remain bullish on the Euro, as rate cut hopes from Fed and mixed to weak economic data from US keeps the US Dollar under pressure. GBP is under pressure due to the political uncertainty in UK and weak economic data. Yesterday, ONS reported that UK economy shrank 0.4% in April 2019. ONS also said that manufacturing sector contracted 3.9% on a month-on-month basis in April and Industrial production meanwhile contracted 2.7% in April. All in all, GBP is a sell on rise against USD, Euro and INR.

### TECHNICAL VIEW & RUPEE CROSSES:

Primary trend remains downward in USDINR as the pair meanders lower within a down trending channel. Sell on rise remains our tactical bias. Resistances are: 69.60/65, 69.80/90 and 70.10 levels on spot. Support around 69.30/35 and 69.00/10 zone on spot. As volatility can remain low, hence traders can look to sell weekly options to collect premium.

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



Source: TradingView