

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.46	-0.29%	-0.7%	9%
EUR/INR	79.90	0.18%	-1.7%	1%
GBP/INR	90.95	0.04%	-0.2%	2%
JPY/INR	63.69	-0.52%	-2.8%	6%
EUR/USD	1.1340	0.12%	-1.1%	-8%
GBP/USD	1.2905	0.10%	0.3%	-7%
USD/JPY	110.65	0.15%	2.3%	3%
USD/CNH	6.7624	-0.17%	0.0%	6%
10 YR YIELD- IN	7.28	(0.07)	(0.31)	(0.22)
10 YR YIELD- USA	2.69	0.01	(0.01)	(0.14)
GOLD (\$/Oz)	1,313	0.2%	2%	-1%
SILVER (\$/Oz)	15.74	0.2%	1%	-5%
BRENT CRUDE (\$/Brl)	63.07	1.0%	4%	1%
COPPER 3M (\$/Ton)	6106	-0.7%	3%	-11%
NIFTY	10869	0.35%	0.69%	3%
HANGSENG	28392	0.78%	6.47%	-5%
S&P 500	2745	1.29%	5.72%	3%
INR 1M FWD	0.23	0.00	(0.04)	0.00
INR 2M FWD	0.50	0.00	0.03	(0.04)
INR 3M FWD	0.74	0.02	0.02	(0.03)
INR 6M FWD	1.46	0.02	0.04	(0.02)
INR 12M FWD	2.79	(0.02)	(0.02)	(0.05)
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(57)	410	335	335
FII INVESTMENT- DEBT (\$ Mn)	(60)	(135)	(502)	(502)
TOTAL- (\$ Mn)	(117)	275	(168)	(168)

CURRENCY	ECONOMIC DATA
GBP	CPI
USD	CPI

INDIA NEWSWIRE

- The government will on Thursday launch yet another offering of its flagship exchange-traded fund (ETF) — Bharat-22 — to meet the divestment target of Rs 80,000 crore. The additional sale is expected to raise around Rs 4,000 crore

FX VIEW

Low inflation and higher growth are a goldilocks combination. That is exactly what was delivered last evening from the Indian data docket. Consumer inflation moderated in January and industrial production growth picked up in December. The decline in retail inflation can be ascribed to high base effect along with broad based decline in inflation across components especially persistent deflation in the food articles and record low inflation in clothing and footwear and fuel and light, which was partly on account of subdued global crude oil a price. Core inflation too has come off to 5.4% in January from 5.6% in December. Core has slowly begun to converge to headline. If the trend persists, then RBI can look for much deeper cut interest rates in CY2019. For the time being, another 25 bps reduction looks probable in April meeting.

For December IIP growth came in at 2.4%, marginally higher than the 0.5% growth registered in the previous month. For the 9 months of FY19, the industrial output grew by 4.6%, higher than 3.7% growth in the comparable period a year ago. At the cumulative level, the improvement in industrial growth has been broad based. Manufacturing output grew by 2.7 per cent in December, after contracting by 0.6 per cent in November. Within the manufacturing sector, 13 of the 23 segments showed positive growth in December. The mining sector contracted by 1 per cent in December, after growing by 2.7 per cent the month before. Capital goods, primary goods, construction goods and consumer durables have witnessed impressive growth. However, it is too early to celebrate the revival in industrial growth as other indicators point towards a weak economy, led by soft private investment and weak household consumption growth.

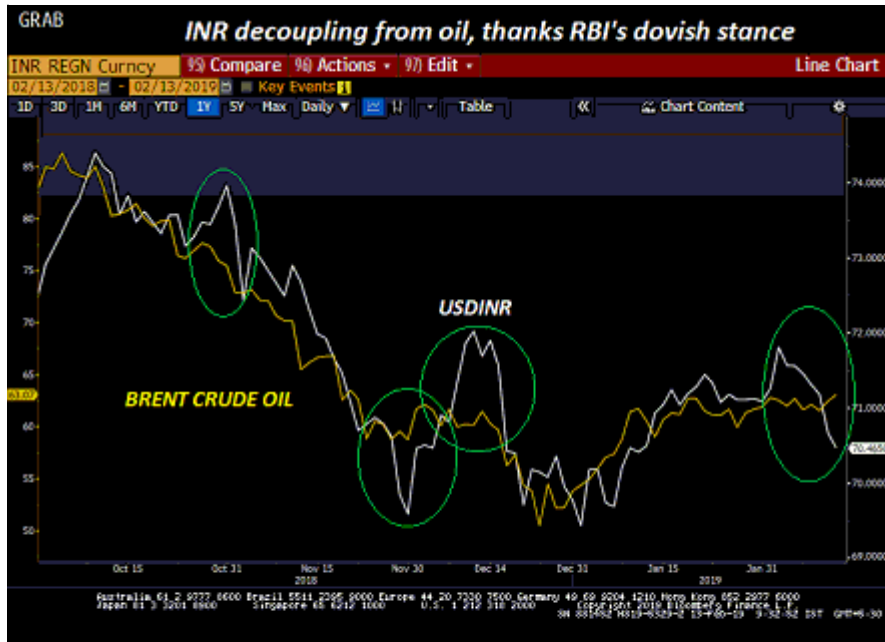
Overnight oil prices have ticked higher and poised to move higher after a week or so of consolidation. Brent is trading close to 63 dollars a barrel. Rupee bulls are ignoring oil as RBI has offered a supportive hand to the bond market flows. Bond inflows may continue but keep an eye on oil prices. If Brent inches closer to 70.00 dollars, still some distance away, then it can hurt flows to GOIsecs and Corp bonds and hence hurt the Rupee as well.

Inter market picture remains Rupee supportive, barring oil prices. Thanks to the hint from US President that US may delay the imposition of fresh tariffs beyond March 1st, US stocks clocked 1.5% gain. Asian equity indices and Indian equity indices are trading higher. However, we expect demand USDINR to find demand closer to 70.00/70.30 zone from RBI as well as from specs due to rising oil prices.

TECHNICAL VIEW:

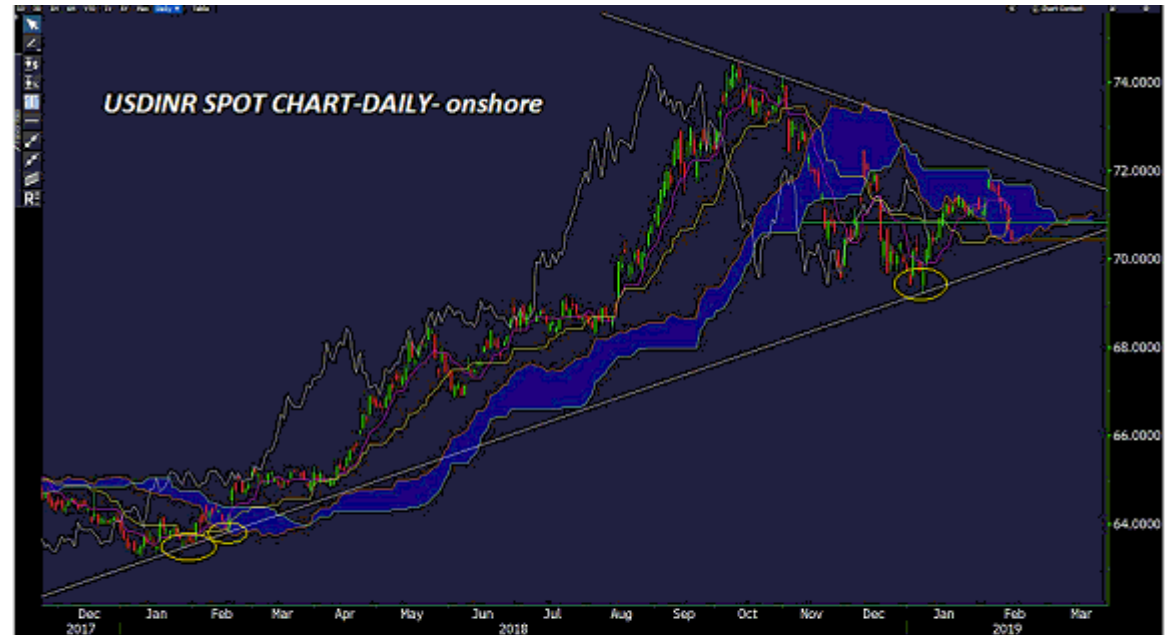
A close below 70.80 has negated the bullish bias in the pair. However, the bullish structure is intact as long as the pair holds above 70.00 handle, check the chart on next page. Above 70.00, it recover and test, support turned resistance zone of 70.85/71.00 on spot. Nevertheless, a close below 70.00, would open targets of 69.20/40.

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



USDINR is decoupling from Brent. Over the recent past, decoupling have not sustained. Need to keep an eye on oil prices

Source: Bloomberg



Cloud bottom is support around 70.30 and then there is the primary uptrendline, held till date, around 70.00 levels on spot. Therefore, risk of an upward reversal remains high. Nevertheless, below 70.00, it would be a breakdown and target will be the Dec-Jan cluster between 69.20/40 levels on spot and thereafter, 68.70/80 zone on spot.

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