

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.75	0.06%	-1.5%	7%
EUR/INR	78.72	0.30%	-1.8%	-2%
GBP/INR	91.25	0.62%	0.0%	1%
JPY/INR	62.68	0.14%	-1.8%	3%
EUR/USD	1.1284	-0.04%	0.2%	-9%
GBP/USD	1.3084	0.07%	1.9%	-6%
USD/JPY	111.25	-0.10%	0.2%	4%
USD/CNH	6.7163	0.14%	-1.0%	6%
10 YR YIELD- IN	7.37	0.01	0.08	(0.29)
10 YR YIELD- USA	2.61	0.01	(0.09)	(0.23)
GOLD (\$/Oz)	1,305	0.3%	0%	-2%
SILVER (\$/Oz)	15.45	0.0%	-1%	-7%
BRENT CRUDE (\$/Brl)	66.85	0.3%	5%	3%
COPPER 3M (\$/Ton)	6472	1.0%	6%	-6%
NIFTY	11299	-0.02%	4.68%	8%
HANGSENG	28771	-0.52%	0.96%	-9%
S&P 500	2792	0.30%	1.40%	1%
INR 1M FWD	0.28	0.00	0.05	0.00
INR 2M FWD	0.53	0.00	0.04	0.01
INR 3M FWD	0.77	0.01	0.06	0.04
INR 6M FWD	1.45	0.01	0.02	0.10
INR 12M FWD	2.71	(0.01)	(0.08)	0.17
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	494	1,327	3,622	3,622
FII INVESTMENT- DEBT (\$ Mn)	154	802	(851)	(851)
TOTAL- (\$ Mn)	647	2,129	2,772	2,772

CURRENCY	ECONOMIC DATA
USD	Durable Goods Order

FX VIEW

Yesterday, post market two important economic data was released: CPI and IIP. Hereunder is their summary.

Industrial output showed signs of moderation during the month of Jan'19 mainly on account of high base effect. For Jan'2019, the industrial output grew by 1.7%, lower than 2.4% in the previous month. On the cumulative basis in FY19 (Apr-Jan), the industrial output measured by IIP expanded at 4.4%, marginally higher than 4.1% growth in the corresponding period last year. Core sector growth has fallen to 19 month low levels in Jan'19. Mining sector expanded at 3.9%, than contraction at -1% in December'18 and higher than 0.3% growth during January'18. The manufacturing sector growth was lower at 1.3% compared with 2.7% in Dec'18, due to high base. 11 out of 23 sectors contracted. Electricity segment of IIP has grew at subdued 0.8% growth rate, lower than 4.5% growth in Dec'18. Capital goods slipped into contraction at -3.2% compared with 5.9% growth in Dec'18. However, infrastructure/construction grew at 7.9%, though lower than 10.1% growth in the previous month.

CPI came in at 4 month high of 2.6% in Feb, which was higher than 2.0% in Jan. The increase in retail inflation for Feb'19 can in part be attributed to a favourable base effect and subsiding effect in the deflationary trend seen in food inflation. The core inflation, excluding food and fuel, has moderated albeit marginally and has come at a 1 year low of 5.4%. The core inflation has been trending down since Oct'18.

Both these data have not had much impact on INR but has hardened the bond yields, as GOISec 10 year trades at 7.37% levels. Rupee would continue to draw strength from the fact that carry traders, FPI and exporters remain buyers of the currency. However, central bank remains an active buyer of Dollars. Option market is indicating that speculative positioning has become extremely short USD. Check out the chart on the next page, which shows how low the risk reversals have reached. Such low reading on risk reversals, though concerning, but is not an indication to trade against the trend. However, it means that, if some kind of risk materialise, political, geo-political or financial risk, the short covering rally in USDINR can be quite brutal.

In global markets, yesterday, US CPI was weaker than expected, which is negative for USD. However, Brexit uncertainties continues impact GBP and global markets. Yesterday, UK Parliamentarians rejected the Brexit deal presented by UK PM after much negotiation with EU. EU has warned that no further concession will be done. Now focus shifts to two key votes to occur today and tomorrow. Today, UK Parliament is most likely to reject the "no-deal Brexit" option, which will open the vote for an extension of the March 29th deadline. After UK votes for an extension, EU has to accept unanimously. EU has indicated that UK may have to shell out more by way of contribution to EU budget, if they were to accept the request for extension. GBPUSD has been oscillating wildly over the past 48 hours. In case of a widely expected extension, we expect GBPUSD to recover towards 1.32. However, upside could be capped as uncertainty would prevail even after extension.

TECHNICAL VIEW:

USDINR is trading at 69.70 levels. Trend remains downward. For the intra-day we would be looking to sell on rise as long as the pair holds below 70.00 on spot. As in case of a move above 70.00, the pair can aim for 70.30/40 region on spot. Support is around 69.50 and 69.40/45 zone. RBI intervention remains an active risk in the market.



Source: Bloomberg

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