

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	72.60	-0.40%	-1.7%	10%
EUR/INR	81.65	-0.50%	-4.8%	7%
GBP/INR	93.53	-0.28%	-3.9%	8%
JPY/INR	63.70	-0.44%	-4.1%	9%
EUR/USD	1.1247	0.26%	-2.9%	-4%
GBP/USD	1.2883	0.26%	-2.0%	-2%
USD/JPY	113.99	0.13%	1.9%	0%
USD/CNH	6.9470	-0.25%	0.3%	4%
10 YR YIELD- IN	7.77	(0.03)	(0.21)	0.80
10 YR YIELD- USA	3.17	(0.01)	0.01	0.77
GOLD (\$/Oz)	1,204	0.3%	-2%	-6%
SILVER (\$/Oz)	14.09	0.6%	-4%	-17%
BRENT CRUDE (\$/Brl)	69.52	-0.9%	-14%	10%
COPPER 3M (\$/Ton)	6049	-0.1%	-4%	-11%
NIFTY	10490	0.07%	0.16%	3%
HANGSENG	25606	-0.10%	-0.76%	-12%
S&P 500	2726	-1.97%	-1.48%	5%
INR 1M FWD	0.26	0.00	(0.04)	0.02
INR 2M FWD	0.49	(0.01)	(0.08)	(0.00)
INR 3M FWD	0.72	(0.02)	(0.11)	(0.01)
INR 6M FWD	1.47	(0.03)	(0.12)	(0.01)
INR 12M FWD	2.94	(0.03)	(0.21)	0.10
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(372)	(289)	(4,041)	(6,047)
FII INVESTMENT- DEBT (\$ Mn)	(50)	672	(680)	(7,789)
TOTAL- (\$ Mn)	(421)	383	(4,721)	(13,836)

CURRENCY	ECONOMIC DATA
EUR	German ZEW
GBP	Employment report

INDIA NEWSWIRE

1. India's factory output rose more than expected in September. IIP rose 4.5 percent y/y in September, compared with a 4.1 percent growth in the same month last year. Mining output slowed but manufacturing and electricity production quickened its pace.
2. RBI Governor Urjit Patel met PM on Friday to iron out issues between Gol and RBI. These talks come ahead of the upcoming meeting of the central board of the RBI on November 19, when the RBI and the Gol are supposed to hold formal talks on matters highlighted by the finance ministry.

FX VIEW

Just when the market thought that news of output cut has placed a floor under Brent below 70 dollars a barrel, POTUS chipped in with a tweet where he urged OPEC to not go for a cut in output as he believed oil prices should be much lower from current levels based on demand-supply situation. The tweet is contradictory, as supply imbalance should justify an output reduction from OPEC. However, all that matters is crude oil react negatively to the tweet and fell below 69.00. Rupee shares a reflexive relationship with the oil prices. In other words, a lower oil should keep Rupee an outperformer in the region. However, direction of Rupee against Dollar would largely hinge how the majors and EM currencies perform against US Dollar.

Retail inflation rate fell to a one-year low of 3.31 per cent in October on the back of lower food inflation. CPI was 3.7 per cent in September. However, India's core consumer inflation quickened to around 6.1 percent in October, compared with around 5.8 percent in September. Low food inflation has two sides to it, on one hand it keeps the consumers happy, especially non-agricultural linked population, but on the other hand it also means that MSP policy of the Gol is not having much impact on ground, which can further dampen rural demand going forward. Agricultural disinflation is not just a domestic market phenomenon, it is a global market phase as well. Its impact will not be just be on rural demand but will also adversely impact political fortunes for the ruling party in the state elections, as well as in the national elections.

Low inflation and falling oil prices should keep Indian bonds attractive for foreign investor. If the inflows pick up in the Indian debt segment, it can be a positive factor for the Rupee. As renewed interest in Indian debt can also fuel some bit of carry trade in Rupee as well. Ultimately it is flows which drive the currency: capital flows or derivatives bets.

TECHNICAL VIEW & RUPEE CROSSES:

Intermediate to short term downtrend is intact in USDINR as long as it is trading below 73.30 on spot. Support is between 72.30/40, which if broken can expose 71.50/70 levels on spot. On Rupee crosses, GBPINR and EURINR, both are under pressure, as former is being plagued by Brexit uncertainty and latter is being driven lower by Italy budget concerns. However, US political drama is not too far away. The new Congress will be in action from January and with a volatile President in White House, we expect political uncertainty to undermine US Dollar during the H1 of next year. However, we also need to keep an eye on China, as we expect trade war to intensify as anti-China sentiment enjoys enough support across party lines. Therefore, for EM currencies, the interplay of political risk in US and economics risks in China would determine the direction in 2019.

*** Please turn to the next page for the chart of the day ***



Rupee’s behaviour changed post Rajan-Modi duo came at the helm. Before 2013, Rupee underperformed its peers due to several factors, but the most impactful ones were the GoI pursuing inflationary fiscal policy and then using influence to compel RBI to pursue negative real interest rates. However, post 2013, things changed, as RBI has doggedly pursued positive real rates and on the other hand, GoI followed sensible fiscal policy, which kept inflation under check.

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