

| INSTRUMENT                   | LAST PRICE   | 1 DAY      | 1 MONTH    | 1 YEAR     |
|------------------------------|--------------|------------|------------|------------|
| USD/INR                      | 70.50        | 0.12%      | -1.9%      | 10%        |
| EUR/INR                      | 81.22        | 0.01%      | -0.8%      | 6%         |
| GBP/INR                      | 90.17        | 0.48%      | -0.6%      | 5%         |
| JPY/INR                      | 65.18        | 0.35%      | 2.6%       | 12%        |
| EUR/USD                      | 1.1470       | 0.01%      | 1.5%       | -6%        |
| GBP/USD                      | 1.2846       | 0.02%      | 2.1%       | -7%        |
| USD/JPY                      | 108.09       | -0.36%     | -4.9%      | -2%        |
| USD/CNH                      | 6.7615       | 0.02%      | -2.1%      | 5%         |
| 10 YR YIELD- IN              | 7.59         | -0.00      | 0.06       | 0.32       |
| 10 YR YIELD- USA             | 2.70         | -0.04      | -0.18      | 0.16       |
| GOLD (\$/Oz)                 | 1,291        | 0.1%       | 4%         | -4%        |
| SILVER (\$/Oz)               | 15.58        | -0.1%      | 7%         | -10%       |
| BRENT CRUDE (\$/Brl)         | 59.78        | -1.2%      | -1%        | -14%       |
| COPPER 3M (\$/Ton)           | 5942         | 0.2%       | -4%        | -17%       |
| NIFTY                        | 10795        | -0.25%     | -0.10%     | 1%         |
| HANGSENG                     | 26214        | -1.70%     | 0.46%      | -17%       |
| S&P 500                      | 2596         | -0.01%     | -0.14%     | -7%        |
| INR 1M FWD                   | 0.24         | 0.00       | -0.02      | 0.01       |
| INR 2M FWD                   | 0.45         | 0.00       | -0.05      | -0.01      |
| INR 3M FWD                   | 0.72         | 0.00       | 0.01       | -0.00      |
| INR 6M FWD                   | 1.42         | -0.02      | -0.05      | -0.01      |
| INR 12M FWD                  | 2.82         | -0.01      | -0.04      | 0.03       |
|                              | <b>1 DAY</b> | <b>MTD</b> | <b>QTD</b> | <b>CTD</b> |
| FII INVESTMENT- EQ (\$ Mn)   | -44          | -238       | -238       | -238       |
| FII INVESTMENT- DEBT (\$ Mn) | -85          | -78        | -78        | -78        |
| TOTAL- (\$ Mn)               | -129         | -316       | -316       | -316       |

| CURRENCY | ECONOMIC EVENT |
|----------|----------------|
| CNY      | Trade Balance  |

### FX VIEW

Indian industrial production growth slumped to its slowest in 17 months at 0.5% in November, the outcome of an unfavourable base effect as well as contraction in manufacturing. Manufacturing production contracted 0.4%, compared to 7.9 percent growth in the previous month. An adverse base effect due to strong 10.4 percent growth in November 2017 may have also subdued year-on-year growth rates. Electricity and mining output grew 5.1% and 2.7%, respectively, down from 10.8% and 7% in October. Use-based classification of manufacturing suggests that capital goods output contracted by 3.4 percent in November after rising 16.8 percent in the previous month. Consumer durables output contracted by 0.6 percent in November after 17.6 percent growth last month. Non-consumer durables output also contracted by 0.9 percent compared to 7.9 percent growth last month. The high base effect may last for some time as during the second half of FY18, growth had begun to pick up after the slump in the first half of that financial year from the twin-shocks of demo and GST.

Indian economy is slowing down is not a new finding. Growth slowdown is occurring all over the world, across EMs, Europe and to a certain extent even North America. US central bank has been steadily tightening the cost of Dollar funds, last one year global stock markets have delivered negative return and credit spreads have widened. Even EM central banks have been reducing their balance sheets, as they have had to sell from their foreign exchange reserves to combat sell-off in their currencies. All in all, global financial conditions continue to tighten. Trade war is adding to the crunch. The crunch is not yet so severe that it can push most of the major economies into recession but with asset prices still at lofty levels, the current macro-backdrop is challenging enough.

US Fed chair has shown that he can be as flexible as a financial trader, willing to alter his stance in short notice. His dovish stance may not last long, if US stock market and oil prices continue their upward march for a few more weeks. Relatively speaking, US economic data has indicated a loss in momentum but is nowhere near the horrendous data flow that has happened from EU and EM. If US politicians can sort out the partial government shutdown and raise the debt ceiling it can add fuel to the fire in the stock market, in which case, once again Fed can flip to being hawkish. Therefore, we need to be flexible when analysing Fed and the odds for a hike in 2019.

Last 12 months, the negative correlation between Rupee and oil has been quite high. The sharp plunge in oil prices, on the back of weak US stocks and dovish OPEC, have come as boon for the Rupee. Weaker US stocks, instead of hurting the Rupee, offered support due to dovish Fed. However, the logic is quite interesting. The longer the Fed stays dovish and OPEC hawkish, rising US stocks can continue to pull oil prices higher. Higher oil prices and strength in US stocks can eventually make the US Fed hawkish again. A hawkish Fed and higher oil prices would then be negative for Rupee. Funny how one feeds to the other. It is therefore no surprise that USDINR, Brent Crude and US stock markets have all bottomed almost around the same time, with some minor leads and lags. Add to that the domestic risks- growth is slowing, government facing impossible of trinity of fiscal discipline, higher capex and higher need for social/rural spend & rising political risk going into polls. Therefore, for USDINR to breakdown below the strong support zone of 69.00/69.30, it needs the global configuration to alter dramatically enough to trigger a meltdown in the US Dollar, like that one that happened post Trump in 2017.

Technically, USDINR remains in the process of carving out a choppy bottom between a broad level 69.00/69.40 and 71.00 on spot. We could get to play numerous trading moves within this 150-200 point zone.

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