

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.44	-0.13%	1.4%	4%
EUR/INR	79.18	-0.03%	0.8%	-2%
GBP/INR	91.29	-0.58%	0.3%	-1%
JPY/INR	64.24	-0.22%	3.6%	4%
EUR/USD	1.1239	0.15%	-0.6%	-6%
GBP/USD	1.2960	0.02%	-1.1%	-4%
USD/JPY	109.61	0.28%	-2.2%	0%
USD/CNH	6.8906	-0.31%	2.7%	8%
10 YR YIELD- IN	7.37	(0.03)	(0.04)	(0.46)
10 YR YIELD- USA	2.41	0.01	(0.15)	(0.59)
GOLD (\$/Oz)	1,299	-0.1%	1%	-1%
SILVER (\$/Oz)	14.80	0.3%	-1%	-10%
BRENT CRUDE (\$/Brl)	70.53	0.4%	-1%	-10%
COPPER 3M (\$/Ton)	6011	-1.9%	-7%	-13%
NIFTY	11130	-0.16%	-4.41%	3%
HANGSENG	28101	-1.58%	-6.05%	-10%
S&P 500	2812	-2.41%	-3.29%	3%
INR 1M FWD	0.29	0.02	(0.03)	0.05
INR 2M FWD	0.53	0.00	(0.05)	0.08
INR 3M FWD	0.80	0.02	(0.03)	0.11
INR 6M FWD	1.52	0.02	(0.03)	0.15
INR 12M FWD	2.98	0.02	0.11	0.26
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(179)	148	1,689	9,915
FII INVESTMENT- DEBT (\$ Mn)	(40)	(588)	(2,158)	(889)
TOTAL- (\$ Mn)	(218)	(440)	(469)	9,026

CURRENCY	ECONOMIC DATA
GBP	Employment report
EUR	German ZEW Economic Sentiment

INDIA NEWSWIRE

1. India's car sales saw a decline of 15.9 per cent in April, the worst in eight years. Sales dipped across categories including passenger vehicles, which reported a decline of 17 per cent.

FX VIEW

Yesterday Rupee touched the lowest level in YTD in FY19 above 70.50 on spot. Local unit is facing quadruple whammy, viz. :

Sino-US trade war, oil price, election risk & Indian economic slowdown coupled with NBFC/HFC stress

The United States kicked off the necessary process before Washington can impose tariffs on a new set of Chinese imports. The USTR outlines a potential duty of up to 25% tariffs on China for goods with an annual trade value of roughly \$300 billion. Last week, US had raised tariffs to 25% from 10% on USD 200 billion worth of goods. The committee will hold a public hearing on June 17 followed by another week for comments, meaning the earliest possible action for tariffs would be June 24. Therefore there is still enough time between now and end of June for the talking heads of both the countries to strike an agreement. Even the US President has said that in two-three weeks of time trade negotiations will conclude. Though financial markets have sold off yesterday but there is still hope that a deal will be struck. Chinese economy, which has been dangerously lopsided due to record levels of bad debt and low consumption share of the economy, has faced slowing down of consumption and investment growth over the past 12 months. For past couple of months, hopes of trade deal and fiscal stimulus has steadied the ship. However, if the global trade turns hostile, it can knock the Chinese economy hard. US understands this and hence they are pressing ahead.

There has been some chatter about how China can dump US treasuries to hurt America, if they chose to. This is far from the truth. Chinese TSY holdings are not an investment bet, it is a consequence of their mercantilist policies of last 20 years. PBOC has been buying dollars to support the domestic economy and as a consequence of that they have had accumulated treasuries to park those dollars. If China were to sell TSY in a chunk it will create a bigger demand slowdown in China. China will hurt far more than US. In a trade war, a consumer like America with deep financial markets and ability to attract global capital flows have the upper hand over China, which is a large producer/investor, with low consumption share of the economy.

Coming to the USDINR. USDINR would continue to be volatile and choppy going into the exit polls on Sunday evening and results next week. Global factors would create volatility, through flows in the domestic stock market and debt market. Yesterday, Oil prices jumped on news that two Saudi oil tankers were supposedly attacked near the Persian Gulf, raising fears that supply may be at risk. Oil has since cooled off a bit with Brent now down to 70.50 from near 72.00 dollar a barrel. Oil and global risk trends would determine direction of USDINR.

TECHNICAL VIEW & RUPEE CROSSES:

USDINR remains a buy on decline as long as above 70.10 on spot. Target 70.90/71.00 levels. Near term support levels 70.40/45, 70.28/30 and 70.00/70.10 levels on spot. During periods of risk aversion, INR tends to depreciate against other three major currencies too: EUR, GBP and JPY. As a result, we would remain bullish on EURINR, JPYINR and GBPINR and hence would recommend buying on decline.

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



USDINR cleared first cluster of resistances. It may test the resistance cluster defined by the two channels between 70.90/71.00 levels on spot. Bullish bias remains intact above 70.10 on spot

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