

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	73.88	0.07%	1.8%	12%
EUR/INR	85.49	-0.10%	1.1%	11%
GBP/INR	97.10	-0.12%	2.1%	11%
JPY/INR	65.97	-0.49%	2.0%	12%
EUR/USD	1.1573	-0.05%	-0.9%	-2%
GBP/USD	1.3144	-0.06%	-0.1%	-1%
USD/JPY	111.99	0.20%	0.1%	0%
USD/CNH	6.9234	0.01%	0.8%	5%
10 YR YIELD- IN	7.94	0.02	(0.18)	1.21
10 YR YIELD- USA	3.17	0.01	0.17	0.86
GOLD (\$/Oz)	1,226	-0.1%	2%	-5%
SILVER (\$/Oz)	14.67	-0.2%	3%	-15%
BRENT CRUDE (\$/Brl)	81.00	0.3%	4%	40%
COPPER 3M (\$/Ton)	6301	0.0%	5%	-8%
NIFTY	10583	0.67%	-8.10%	3%
HANGSENG	25396	-0.19%	-6.93%	-11%
S&P 500	2751	-0.59%	-5.31%	8%
INR 1M FWD	0.29	(0.01)	0.01	0.03
INR 2M FWD	0.57	0.00	(0.00)	0.10
INR 3M FWD	0.85	0.03	0.02	0.16
INR 6M FWD	1.63	0.04	0.02	0.23
INR 12M FWD	3.17	0.02	(0.08)	0.42
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(150)	(2,353)	(2,353)	(4,359)
FII INVESTMENT- DEBT (\$ Mn)	(211)	(1,289)	(1,289)	(8,399)
TOTAL- (\$ Mn)	(361)	(3,642)	(3,642)	(12,758)

CURRENCY	ECONOMIC DATA
GBP	UK Employment report

WORLD NEWSWIRE

1. Italy's cabinet on Monday approved the country's expansionary 2019 budget bill. Now the government had sent the budget framework to the European Commission in Brussels for its review.
2. US retail sales edged up by only 0.1% m/m in September, disappointing the expectations for a 0.6% gain, could be on account impact of Hurricane Florence

FX VIEW

Yesterday Rupee was once again under pressure as sell off in global equity markets caused EM currencies to decline. However, the weakness did not last into the close as central bank stepped in to provide support. USDINR closed at 73.82, after making a high of 74.07 intraday. Indian 10 year yields remained below 8 handle. Domestic equities saw buying. Even oil prices failed to sustain the early gains.

Around the close of trading yesterday, merchandise trade data was released. Exports de-grew but it was due to high base of last year. Government clarified the decline in exports is due to the base effect, resulting from September 2017 being an abnormally high growth month of about 26 per cent in dollar terms due to the imminent cut off then for drawbacks at pre-GST rates. There is not much of impact of trade balance on currency, after all it is just a port mortem what transpired previous month. At the same time, readers of our reports are aware that we do approach trade as an effect caused by capital inflows. In order to understand how capital flow drives trade, one has to approach Balance of Payment from income-spending-savings-savings flow/capital flow perspective. Approaching BoP through trade risks getting lost in the jungle of weed. For September, we do not have the entire picture of BoP as various components of BoP are released with different lags. We have the September merchandise trade balance and we also have the FPI flows data for September. Ideally we require the monthly Current account balance figure to draw inference about how capital flows shaped up. India's current account being in deficit simply means how much excess spending occurred over and above gross national income, which was driven by inflow of savings from foreigners. In other words, current account deficit is the surplus in financial account, capital account & reserve account with an opposite sign. For September, merchandise trade deficit declined could be a reflection of a decline in current account deficit for the month (we are making a big assumption that balance of net services trade, income balance & current transfers were largely unchanged between August & September). Why may the CAD have contracted month over month? FPI flows for debt & equity was an outflow of nearly USD 3 billion in Sept from an inflow of around half billion in August, which denotes a swing of nearly USD 3.5 billion month over month. The trade balance also declined by USD 3.4 billion. Again there are many other components of capital account and financial account as well as the data on how much RBI may have sold in spot, which we do not have yet. Therefore the explanation in variation of merchandise trade balance is not a comprehensive one, but just a way to show how logically capital flow movement may have impacted trade.

TECHNICAL VIEW & RUPEE CROSSES:

USDINR is trading around 74.35 on spot. Though the primary trend remains up above as long as spot is above 73.00 levels, but a near term consolidation between 73.50-74.10 is expected to last for some time. Buy on decline with stop below 73.00 on spot. On crosses, we remain bullish on Euro, GBP and JPY. We expect a move towards 88.00 on EURINR, 100 on GBPINR and 67.00 on JPYINR.

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