

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	71.67	0.18%	0.1%	-3%
EUR/INR	79.07	0.40%	0.1%	-8%
GBP/INR	91.41	0.95%	2.5%	-6%
JPY/INR	65.90	0.27%	-0.4%	0%
EUR/USD	1.1031	-0.02%	0.3%	-5%
GBP/USD	1.2753	-0.27%	2.6%	-3%
USD/JPY	108.67	-0.17%	0.5%	-3%
USD/CNH	7.10	0.24%	0.6%	3%
10 YR YIELD- IN	6.48	(0.01)	(0.23)	(1.39)
10 YR YIELD- USA	1.74	(0.03)	(0.11)	(1.42)
GOLD (\$/Oz)	1,484	0.2%	-1%	21%
SILVER (\$/Oz)	17.45	0.2%	-2%	19%
BRENT CRUDE (\$/Brl)	58.89	0.3%	-15%	-28%
COPPER 3M (\$/Ton)	5773	-0.8%	-3%	-8%
NIFTY	11449	0.2%	4.1%	8.2%
HANGSENG	26559	0.2%	-2.1%	4.3%
S&P 500	2996	1.0%	-0.1%	6.6%
INR 1M FWD	0.23	0.00	(0.05)	(0.07)
INR 3M FWD	0.67	0.00	(0.13)	(0.16)
INR 12M FWD	2.96	0.02	(0.28)	(0.19)
USDINR 1 MONTH ATM IV	6.07	0.11	(0.65)	(1.95)
USDINR 3 MONTH ATM IV	6.18	0.06	(0.35)	(1.89)
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	866	131	131	8,291
FII INVESTMENT- DEBT (\$ Mn)	(8)	30	30	4,003
TOTAL- (\$ Mn)	858	161	161	12,295

CURRENCY	ECONOMIC DATA
GBP	CPI
USD	Retail Sales

TECHNICAL VIEW

Currency pair ==> USDINR spot

View = The pair having taken out key resistance above 71.40 is poised to test 72.00 on spot.

Trade = Buy between 71.50/55 TP 71.90/72.00 SL 71.35

Currency pair ==> GBPUSD spot

View = Uptrend can extend, if the prices can manage to sustain above 1.2500.

Trade = Buy between 1.2660/1.2680 TP 1.2830/50 SL 1.2590

MACRO VIEW

- Yesterday divergent themes played out in the local equity and currency markets. Though Nifty and Sensex closed nearly a percent higher but Rupee weakened towards a 1 month low against USD @ 71.54 on spot. After the pair opened above a technical resistance cluster between 71.17/22 on spot, short covering demand entered the market. Option sellers were seen covering their Gama imbalance by going long through futures. Corporate hedging activity was low.
- After a month long sideways action USDINR could be seeing a trend. We watch three factors for direction and trend in the pair: capital flows, speculative fervour and speculative positioning. RBI acts as a shock absorber, causing a lot more damage when either trend is missing or when the direction is looking to reverse. Past one month, domestic factors have been mixed for the Rupee as various stimulants from policymakers have slowed the pace of portfolio outflows. However, non portfolio capital inflows have remained robust. Speculators not eager to bet against the high carry in the currency, stayed away from going aggressively short INR. In fact, speculative positioning may have turned net long on INR (domestic players) post tax cut and rate cut. Global factors have been mixed as well. Every other day the game of "deal or no-deal" is on between China and US. The same is the case with Brexit deal as well. As a result, EM assets and EM FX has been caught swinging within a range. Therefore, with global factors and domestic factors unable to provide direction and trend, USDINR has remained range bound.
- Things may be changing now. Technical breakout has occurred with prices closing above the falling channel and also above the major resistance zone of 71.40/50 on spot. What can sustain the uptrend? In our opinion further short covering cannot be ruled out. With RBI having shown strong intent to build reserves when the pair was below 71.00 may not be eager to offload the reserves immediately. Probably RBI may become a significant factor if the pair inches towards 72.50 levels. We also need to keep a close eye on USDCNH. USDCNH is back above 7.10 and further north it travels, it can cause speculative shorting in INR as well. Finally, keep a close watch on the pace of portfolio flows, if the speed of outflows increase, it will add fuel to the fire. If not, then it will become a speed breaker.
- Overnight US stocks closed a percent higher on the back of strong corporate earnings from JP Morgan Chase and others. However, Asian equities are trading lower, probably after China strongly criticised US Congress unanimously passing a bill on Hong Kong. The legislation would require an annual review of whether Hong Kong is sufficiently autonomous from Beijing to justify its special trading status. China has threatened retaliation if US President signs the bill. The news has caused USDCNH to spike above 7.10 levels.

*** CHART ON NEXT PAGE ***



Source: TickerPlant

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