INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	72.63	1.07%	3.4%	12%
EUR/INR	84.51	0.56%	5.6%	9%
GBP/INR	94.99	0.76%	6.1%	9%
JPY/INR	64.86	0.77%	2.2%	11%
EUR/USD	1.1636	0.09%	1.7%	-3%
GBP/USD	1.3079	0.08%	2.6%	-3%
USD/JPY	111.98	-0.07%	1.3%	0%
USD/CNH	6.8706	-0.06%	0.5%	4%
10 YR YIELD- IN	8.18	0.06	0.32	1.59
10 YR YIELD- USA	3.00	0.03	0.10	0.81
GOLD ($/Oz)	1,196	0.1%	1%	-9%
SILVER ($/Oz)	14.09	0.2%	-5%	-18%
BRENT CRUDE ($/Brl)	78.02	-0.1%	9%	40%
COPPER 3M ($/Ton)	5973	-1.0%	-1%	-8%
NIFTY	11465	-0.44%	-0.05%	14%
HANGSENG	26765	-1.91%	-1.65%	-4%
S&P 500	2905	0.03%	1.92%	16%
INR 1M FWD	0.28	0.00	0.02	0.06
INR 2M FWD	0.57	0.00	0.06	0.11
INR 3M FWD	0.83	(0.01)	0.08	0.15
INR 6M FWD	1.61	(0.02)	0.12	0.24
INR 12M FWD	3.19	(0.01)	0.23	0.43

	1 DAY	MTD	QTD	CTD
FII INVESMENT- EQ ($ Mn)	(148)	(188)	(258)	(879)
FII INVESMENT- DEBT ($ Mn)	56	(665)	(205)	(6,314)
TOTAL- ($ Mn)	(92)	(853)	(463)	(7,193)

CURRENCY	ECONOMIC EVENT
USD	Empire State Manufacturing Index

FX VIEW

When a currency driven primarily by external factors there is little policymakers can do to alter the larger trend of the Rupee. However, pressure has been building on the government as many as looking for a solace, rather than a solution to the issue of Rupee depreciation. As a result GoI on Friday announced a slew of measures.

First government allowed banks to underwrite and market a masala bond issue and also gave an exemption for this year on the 5% withholding tax. This can improve liquidity in that segment. Also, government removed the issuance specific restrictions for FPIs looking to invest in corporate bonds. Norms will be eased to allow infra companies to hedge their foreign currency liabilities. Manufacturing units can have better access to ECB loans. Though all these steps are expected to reduce friction in doing business or in investing in India but it is not expected to alter the trend of Rupee. None of these measures is expected to increase flows into the country over the near term.

Going into the Friday's meeting, Traders who are long USD and short INR had 4 concerns. They are:

Will government announce?

1) NRI deposit scheme

2) Sovereign dollar bond issue

3) Oil window

4) Rate hike

Oil window can still come but other three appears less likely. With MPC in place it will be a hard sell to a mid policy rate hike on the basis of currency.

A long USD and short INR trade is a pain trade unless Rupee is expected to depreciate fast. With 25/26 paise per month being the cost of entering into this trade, in the current environment, it is not a deterrent.

Monday morning is not going to kind for onshore Rupee bulls. Offshore market is indicating an open not far from time lows. News that US President is likely to impose fresh tariffs and talk if China withdrawing from any talks with US on trade, Asian currencies are weakening against USD. Apart from trade, there are other factors which are negative for rupee on a tactical basis:

1) Fed members are sounding more hawkish with fiscal support being provided to the US economy. There is a risk that the US rate curve can shift higher as this growing hawkishness in priced in. UST 10 year is at 3%. It risks a move towards 3.15% if the repricing occurs.

2) Dollar liquidity is shrinking and that is negative for EMs

3) Oil prices are in a bullish trend and risk is growing that if the risk on mood persists in DM equities, Brent can head to 90 handle over the medium term. Weak Rupee, high oil is a deadly cocktail for Indian bonds and hence Indian banking stocks. In turn, both can feed more weakness in Rupee. Technically, tactical view remains upward for USDINR. The key support is now 71.50/60 levels on spot. As long as above 71.50, buy on dips for 73.00/73.50

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