

| INSTRUMENT | LAST PRICE | 1 DAY | 1 MONTH | 1 YEAR | |
|------------------------------|------------|--------|---------|--------|-----|
| USD/INR | 71.80 | 0.28% | 0.5% | -1% | |
| EUR/INR | 79.03 | 0.00% | -0.3% | -7% | |
| GBP/INR | 89.09 | -0.01% | 2.9% | -7% | |
| JPY/INR | 66.31 | 0.21% | -1.0% | 2% | |
| EUR/USD | 1.1006 | 0.05% | -0.6% | -6% | |
| GBP/USD | 1.2410 | -0.17% | 2.3% | -6% | |
| USD/JPY | 108.18 | 0.06% | 1.4% | -3% | |
| USD/CNH | 7.08 | 0.32% | 0.2% | 3% | |
| 10 YR YIELD- IN | 6.71 | 0.08 | 0.17 | (1.41) | |
| 10 YR YIELD- USA | 1.82 | (0.02) | 0.27 | (1.16) | |
| GOLD (\$/Oz) | 1,498 | 0.0% | 0% | 25% | |
| SILVER (\$/Oz) | 17.85 | 0.0% | 6% | 26% | |
| BRENT CRUDE (\$/Brl) | 68.25 | -1.1% | 16% | -13% | |
| COPPER 3M (\$/Ton) | 5870 | -1.7% | 2% | -2% | |
| NIFTY | 10971 | -0.3% | -0.7% | -3.6% | |
| HANGSENG | 26850 | -1.0% | 4.3% | -0.3% | |
| S&P 500 | 2998 | -0.3% | 3.8% | 3.8% | |
| INR 1M FWD | 0.29 | 0.02 | 0.05 | 0.00 | |
| INR 3M FWD | 0.79 | 0.01 | 0.10 | (0.04) | |
| INR 12M FWD | 3.25 | 0.02 | 0.33 | 0.00 | |
| USDINR 1 MONTH ATM IV | 6.81 | 0.09 | (0.31) | (1.42) | |
| USDINR 3 MONTH ATM IV | 6.57 | 0.05 | (0.27) | (1.44) | |
| | | 1 DAY | MTD | QTD | CTD |
| FII INVESTMENT- EQ (\$ Mn) | (56) | (413) | (4,546) | 6,793 | |
| FII INVESTMENT- DEBT (\$ Mn) | (49) | 406 | 3,225 | 4,653 | |
| TOTAL (\$ Mn) | (105) | (7) | (1,321) | 11,446 | |

CURRENCY

ECONOMIC DATA

EUR

ZEW Economic Sentiment

TECHNICAL VIEW

Currency pair ==> USDINR spot

View = Intermediate trend turned upwards after it closed above 71.50 on spot.

Trade = Buy on decline with stop below 71.40 on spot. Resistance @ 72.00 and 72.40 on spot.

MACRO VIEW

- Yesterday Indian stocks could not escape the oil shock. Nifty and Sensex, both closed lower by 0.7%, led by banks and financial stocks. However, the broader market fared well. FPIs were net sellers in equity and that explains the strong bid under Dollar Rupee throughout the day. USDINR closed nearly a percent higher at 71.60 on spot. RBI may have been sellers in the market, but demand from large speculators, in the offshore market as well as onshore market, kept the pair stronger. GOISec 10 year yield closed higher by 8 bps at 6.71%. Scope remains for the up move to extend towards 6.77/78% levels, as higher oil prices, bear steepening in UST and weaker cause further sell off in the prices of long bonds.

- The value of Rupee is driven by capital flows. Within capital flows, the more volatile component remains portfolio flows and speculative bets through INR derivatives. We can classify the factors that impact capital flows into three categories:

- o Domestic economic and political factors which can encourage or discourage flows

- o Trend of Dollar against EM currencies including Yuan

- o Trend of Brent crude oil

Right now the first factor is partly in play as economic slowdown is causing outflow from equity. However, the second factor has subsided as the trade war has entered a period of truce. But it is the final factor, oil prices, which has taken center stage. If oil prices continues to rise it will hurt flows in multiple ways, viz., bond inflows can reverse, higher oil prices hurt a non oil producing consumption economy, which in turn would cause more outflows from equity. Carry traders seeing possibility of outflows, go short INR against USD and other low yielding currencies- reverse carry trade.

- GoI pulling out all stops to boost exports. Merchandise exports had de-grown by 6% in August. Government is banking on greater loan coverage, easier inspection norms, and streamlining of profiles of exporters to raise annual credit disbursal by 30 per cent in the current fiscal year. A challenging global environment is also hurting exporters.

- Overnight European and US stocks fell on the back of sharp rise in oil prices. US bond yields dropped on the back of risk-off demand for bonds. Today, Asian equity indices are all in the red. Dollar CNH is trading around 7.07. Negative spread between CNH and CNY pair is a sign of lack of depreciating pressure on Yuan. Keep an eye on this spread. When the spread turns firmly positive it can be warning sign for EM currencies.

- Brent crude oil is trading above the 68 handle. Brent is going to sway wildly to headlines from Saudi Arabia. Focus remains on the duration of restoration of lost output and on risk of a conflict between Iran-US-Saudis. Longer it shall take for production to come back online, higher crude can go. Gold is at 1507 levels.

*** CHART ON NEXT PAGE ***



Zone A => 61.8% of retracement of 76-56 decline @ 68.20 + 50% retracement of decline from 87 to 50 @ 68.65. Prices are already holding above the falling trendline. If they take out the resistance cluster around Zone A, it can aim for 73.00 (61.8% of the 87-50 decline), followed by April peak @ 76.00

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