INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	71.44	0.30%	0.4%	10%
EUR/INR	80.83	0.63%	-0.5%	1%
GBP/INR	92.27	0.98%	0.1%	2%
JPY/INR	64.63	0.22%	-0.2%	7%
EUR/USD	1.1315	0.17%	-0.4%	-9%
GBP/USD	1.2915	0.20%	0.3%	-8%
USD/JPY	110.53	0.05%	0.7%	4%
USD/CNH	6.7650	-0.08%	-0.6%	7%
10 YR YIELD- IN	7.36	0.01	0.05	(0.22)
10 YR YIELD- USA	2.66	0.00	(0.12)	(0.21)
GOLD ($/Oz)	1,324	0.1%	3%	-2%
SILVER ($/Oz)	15.82	0.2%	3%	-5%
BRENT CRUDE ($/Brl)	66.27	0.0%	6%	2%
COPPER 3M ($/Ton)	6188	0.8%	5%	-14%
NIFTY	10674	-0.47%	-2.13%	2%
HANGSENG	28323	1.51%	4.55%	-9%
S&P 500	2776	1.09%	3.93%	2%
INR 1M FWD	0.25	(0.00)	(0.01)	0.02
INR 2M FWD	0.53	(0.01)	0.06	(0.01)
INR 3M FWD	0.77	0.02	0.01	0.01
INR 6M FWD	1.49	(0.00)	0.02	0.04
INR 12M FWD	2.93	0.02	0.06	0.13

	1 DAY	MTD	QTD	CTD
FII INVESMENT- EQ ($ Mn)	(95)	359	283	283
FII INVESMENT- DEBT ($ Mn)	(74)	(17)	(384)	(384)
TOTAL- ($ Mn)	(168)	342	(101)	(101)

CURRENCY	ECONOMIC DATA
GBP	Rightmove HPI

FX VIEW

Oil closed the week on a high note, above 66 dollars a barrel for the Brent grade, highest level since November 2018. With US stock markets on a tear, there is enough reason for oil prices to keep climbing higher, as the price correlation between two markets remains highly positive. A strong USD against major global currencies, outperforming US stock market compared to EMs like India and rising oil prices are a triple whammy for the Rupee. Add to that the geo-political risk, by way of Indo-Pakistan stand-off. India is widely expected to retaliate after the dastardly attack on our soldiers by Pakistan sponsored terror organisations. However, that may keep the fear premium high over the Rupee. As a result, USDINR forwards in the NDF may continue to trade at a premium to onshore forwards. This can propel USDINR spot prices to can inch towards 72.00 levels.

This week, focus will be on the Yes bank stock after comments from RBI and its impact on broader market sentiment. Apart from this, there have been various media reports, which suggest that the real estate industry in India, which was reeling under the weight of massive on book and off book inventory, is now facing acute liquidity crises, as the NBFCs and institutional investors head for exit. According to a report on the Business Standard, banks have highlighted issues like delay in project completion, lack of fund sources, and divergence of money, governance and defaults as reasons for their hesitation to take up additional exposure to the real estate sector. We need to keep an eye on this soft spot in the economy and the financial sector, as deep stress here can be bad news for growth and employment.

Brexit developments will likely be the primary driver for the Pound this week. Media reports suggest that French President Emmanuel Macron "and other European countries are ready to give Britain legally binding assurances that the Irish backstop is temporary". UK PM needs such an assurance to convince her colleagues to pass the Brexit agreement before March end deadline. In spite of all the uncertainty the current level of GBP no way prices any meaningful possibility of a "no-deal" Brexit. We are long GBP and short Euro, would look to remain so as GBP can benefit from the above development. However, GBP will also take cues from the January employment report and wage data. The jobless rate is predicted to have held at 4.0% in the three months to December, while average weekly earnings are forecast to have increased by 3.5 y/y from the prior 3.4%.

Euro currency has been a laggard. It has depreciated against most of the currencies. Economic data has been weak from the Eurozone. This week ZEW sentiment survey and PMI will be the key data points watched by the traders. A rebound in equities may improve ZEW reading but PMI may continue to grind lower. ECB minutes will be scrutinised for any hints of fresh round of monetary easing, if so, then Euro can decline even more.

For USD, the US commerce department will publish a report on the national security implications of auto tariffs. Last year, Trump utilised exactly such a report on Steel and Aluminium to issue an executive order on metal tariffs. Trump has a 3-month window to do so, after the report is published. Therefore a report urging President to impose tariffs could be positive for the USD. Apart from this, the issued statements from the just concluded trade talks between China and US, clearly showed that there exists wide divergence on major issues, between the two sides. Little has been agreed, except for agreement to talk more. Question now remains, whether the US President will postpone the imposition of tariffs on China or not. If he chooses to postpone, then it will be positive for risk assets. Another major event to be watched will be the US Fed minutes. With market having priced no hikes and an early end to QT, risk remains of a hawkish disappointment.

CHART ON NEXT PAGE

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Source: Bloomberg

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