

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	72.42	-0.13%	3.6%	11%
EUR/INR	84.74	0.23%	5.9%	9%
GBP/INR	95.32	0.28%	6.5%	9%
JPY/INR	64.69	0.02%	2.4%	11%
EUR/USD	1.1701	0.15%	1.9%	-2%
GBP/USD	1.3161	0.03%	2.8%	-2%
USD/JPY	111.95	0.09%	1.7%	0%
USD/CNH	6.8636	-0.10%	0.4%	4%
10 YR YIELD- IN	8.07	(0.02)	0.21	1.46
10 YR YIELD- USA	2.99	0.01	0.13	0.76
GOLD (\$/Oz)	1,200	-0.2%	1%	-8%
SILVER (\$/Oz)	14.14	-0.3%	-4%	-18%
BRENT CRUDE (\$/Brl)	77.60	-0.6%	8%	40%
COPPER 3M (\$/Ton)	5945	-0.5%	0%	-9%
NIFTY	11382	0.03%	-0.78%	12%
HANGSENG	26729	-0.76%	-1.78%	-5%
S&P 500	2889	-0.56%	1.36%	15%
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	3.25	0.05	0.25	0.49
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	95	(93)	(163)	(784)
FII INVESTMENT- DEBT (\$ Mn)	(65)	(730)	(270)	(6,379)
TOTAL- (\$ Mn)	29	(823)	(433)	(7,164)

CURRENCY	ECONOMIC EVENT
EUR	ECB President Draghi Speaks

INDIA NEWSWIRE

- The government on Monday announced proposal to amalgamate three public sector banks — Bank of Baroda, Vijaya Bank and Dena Bank. The new entity will be the third-largest bank in India.

WORLD NEWSWIRE

- US Sep Empire State Manufacturing Index fell more than expected in Aug. A measure of optimism, it reflects rising trade concerns. Demand for manufactured goods remain strong as new orders index remain unchanged, unfilled orders increased

FX VIEW

US President fired the next salvo in the trade war with China. US slapped 10% import duty on goods worth 200 billion from China and warned that the rate will go upto 25% by January of next year. US has threatened to increase the list under tariff from 200 billion dollars to another 267 billion dollars if China retaliates. Dollar CNH does not like the news and it's up at 6.88 and USDINR too is trading higher in the NDF, with spot reference quoting 72.60.

Oil prices have cooled off and now trading below 78 on Brent and Dollar is trading weak against majors like Euro and GBP. However, Rupee is expected to take cue from EM currencies than DM currencies. As a result, risk of a fresh all time low on INR is likely.

It will be worth watching as to how China responds. In the trade war, countries like China are at a relative disadvantage due to low consumption share of GDP and massive amounts poor leverage. Interestingly, global uncertainty is causing capital to fly away from EM countries and towards US. As a result, capital account surplus of US may remain high. Higher capital account surplus means current account deficit will be high as well. High current account deficit is an indication US exporting more demand into the world economy. Though that is a good news for the world but it also means that Trump administration will look at even harsher measures to tackle the trade imbalance. This kind of brute means of realigning global trade will continue till sanity prevails that the best way to tackle trade imbalances is by addressing the issue of capital inflows. In short, if US needs to address its trade imbalance it needs to take the issue to the WTO, where countries like China & Germany and others need to take action on two fronts: 1) Undo policies that suppress household share of national income to boost consumption share of GDP 2) Prevent EM central banks from using the FX reserve route to generate capital flows into US and other consumption centers in west. Such measures will extract a pound of flesh from countries like China and Germany and others but that way over the long run, global trade/capital flows will be on stable ground.

TECHNICAL VIEW:

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. Rupee pairs like EURINR, GBPINR and JPYINR continue to march higher due to Rupee weakness. On EURINR we would be considering fresh tactical longs only on a decline towards 82.00/83.00 levels on spot. On GBPINR, we would look for buying opportunities closer to 92.00/93.00 zone for tactical longs. Medium term target remains above 100 for GBPINR. JPYINR is a buy around 62.50/63.00

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