

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.53	-0.23%	-0.3%	2%
EUR/INR	77.84	-0.21%	0.0%	-1%
GBP/INR	87.35	0.12%	-1.8%	-3%
JPY/INR	64.16	-0.12%	1.3%	3%
EUR/USD	1.1193	-0.01%	0.2%	-3%
GBP/USD	1.2562	0.03%	-1.3%	-5%
USD/JPY	108.46	0.01%	-1.5%	-1%
USD/CNH	6.9068	0.06%	-0.5%	6%
10 YR YIELD- IN	6.83	0.03	(0.53)	(1.03)
10 YR YIELD- USA	2.07	0.01	(0.32)	(0.83)
GOLD (\$/Oz)	1,344	-0.2%	5%	5%
SILVER (\$/Oz)	14.98	-0.2%	4%	-8%
BRENT CRUDE (\$/Brl)	62.12	0.0%	-14%	-17%
COPPER 3M (\$/Ton)	5949	1.8%	-2%	-15%
NIFTY	11776	0.73%	3.24%	10%
HANGSENG	28147	2.36%	0.72%	-4%
S&P 500	2918	0.97%	2.04%	6%
INR 1M FWD	0.30	0.00	0.03	0.05
INR 2M FWD	0.57	0.00	0.07	0.10
INR 3M FWD	0.84	0.02	0.09	0.12
INR 6M FWD	1.62	0.02	0.12	0.16
INR 12M FWD	3.17	0.03	0.22	0.30
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(46)	2	2,966	11,192
FII INVESTMENT- DEBT (\$ Mn)	(30)	973	(60)	1,209
TOTAL- (\$ Mn)	(76)	975	2,907	12,401

CURRENCY	ECONOMIC DATA
EUR	ECB President Draghi Speaks
USD	FOMC

FX VIEW

One, two, three punches for the bears in risky assets. First came from ECB chief Draghi. European Central Bank chief said that the ECB will need to ease policy again, possibly through new rate cuts or asset purchases, if inflation does not head back to its target. This led to a scramble for long dated bonds and as a result, the German government bond yields hit record lows deep in negative territory and French 10-year yields turned negative for the first time on Tuesday. Risk assets like equity, commodity and credit zoomed higher. Even the Rupee appreciated against Euro and USD too. Before the impact could fade, the next punch came from the US President. US President Donald Trump said Tuesday he had a positive phone conversation with his Chinese counterpart Xi Jinping and the two leaders will hold an "extended meeting" next week at the Group of 20 summit in Japan. The Sino-US trade negotiators will meet before the two Presidents will sit down to talk. The summit starts on June 28th. This news gave another boost to risk assets. USD/INR too came off as the USDCNH came off. USD/INR touched a low of 69.50 on the NDF, on spot reference.

The third and final punch also came from the US President when he criticised both the ECB chief as well as the Fed chair. Trump said that ECB has been pursuing policies that keeps the Euro weaker against Dollar, hurting US economy. This would not be tolerated. He said that Fed needs to lower rates. This too boosted the risk assets further. It is clear, that US administration is now turning attention also towards the global currency war. Major central banks around the world are fearing that if US begins the phase of easing monetary policy it lead to significantly strengthening of their own currencies against USD, thereby triggering competitive devaluation. It could be this fear which is prompting them to front run the Fed and either lower rates or talk about fresh round easing.

It needs to be kept in mind that with Trump in the chair, the next round of currency war can become far bloodier. US may finally look at weakening the US Dollar. If the Fed policy is unable to do that, they can either compel the partner nations to sign another Plaza Accord and appreciate their currencies against USD. In this China may not agree and not even Eurozone. If they do not, they can look at the next option of asking the US central bank to intervene in the foreign exchange market and weaken the US Dollar. Such a step may appear unthinkable now but if you consider how Trump administration has gone ahead in the trade war, the low probability outcome appears to be quite likely.

If US Fed hints at lowering rates, as the market expects, then it would be positive news for Rupee. With ECB talking about easing, and now Fed, money flow to India can increase significantly, compelling RBI to mop up Dollars.

TECHNICAL VIEW & RUPEE CROSSES:

USD/INR remains in a primary downtrend as the down trending channel is intact. However, the inability to sustain at lower levels is concerning. Our strategic and tactical trade remains to sell Dollar against Rupee, but on rise. Nevertheless, we would turn neutral if USD/INR breaks above 70.20 levels on spot. The low volatility phase may end post US FOMC, but we are not so sure. Support is around 69.50, 69.30/35 and 69.00/69.10 on spot. Resistance @ 69.70, 69.90, 70.00 and 70.10/70.20 on spot.

In Rupee crosses, We continue to remain bearish on EUR/INR. Short sellers can maintain orders to stop and also reverse above 79.20 close. On GBP/INR, wait for a pullback towards 88.00 zone to enter fresh shorts. On JPY/INR, we stay on sidelines as the combination of soft USD and risk on mood could cancel each other out.

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Source: TradingView

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