

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	68.87	0.08%	-1.2%	0%
EUR/INR	77.44	0.30%	-0.7%	-3%
GBP/INR	85.72	0.38%	-1.8%	-4%
JPY/INR	63.96	0.27%	-0.4%	5%
EUR/USD	1.1243	0.17%	0.4%	-3%
GBP/USD	1.2446	0.10%	-0.9%	-5%
USD/JPY	107.64	-0.29%	-0.8%	-5%
USD/CNH	6.8780	0.01%	-0.4%	2%
10 YR YIELD- IN	6.38	0.03	(0.43)	(1.37)
10 YR YIELD- USA	2.04	(0.01)	(0.02)	(0.83)
GOLD (\$/Oz)	1,423	-0.2%	6%	16%
SILVER (\$/Oz)	16.09	0.8%	7%	3%
BRENT CRUDE (\$/Brl)	63.74	0.1%	3%	-13%
COPPER 3M (\$/Ton)	5980	-0.5%	2%	-3%
NIFTY	11655	-0.28%	-0.31%	6%
HANGSENG	28415	-0.62%	3.33%	1%
S&P 500	2984	-0.65%	2.28%	6%
INR 1M FWD	0.22	0.01	(0.08)	(0.02)
INR 2M FWD	0.46	0.01	(0.11)	(0.04)
INR 3M FWD	0.70	(0.01)	(0.13)	(0.05)
INR 6M FWD	1.47	(0.00)	(0.13)	(0.02)
INR 12M FWD	3.11	0.02	(0.06)	0.15
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(52)	(822)	(822)	10,517
FII INVESTMENT- DEBT (\$ Mn)	115	1,328	1,328	2,757
TOTAL- (\$ Mn)	63	506	506	13,273

CURRENCY ECONOMIC DATA

USD	Prelim UoM Consumer Sentiment
USD	FOMC Member Bullard Speaks

WORLD NEWSWIRE

1. Treasury Secretary Steven Mnuchin said there is no change in the U.S.'s dollar policy "as of now" but wouldn't rule out a shift at some stage in the future. A subtle hint that US may weaponise USD in future.
2. US President Donald Trump has said the US Navy destroyed an Iranian drone in the Strait of Hormuz.

FX VIEW

FM made is crystal clear to the FPIs who are registered as trusts in India, around 40 percent of all FPIs, that they have to pay higher taxes by way of surcharge on capital gains above 2 crore rupees. GoI has advised trusts who wish to escape the higher tax, should register as a company, a way to bring more transparency. Yesterday's sharp spike in the Dollar Rupee to 69.00 and late sell-off in stocks can be attributed to the rumours that FM may stick to her guns on the higher surcharge. Bond yields too hardened a bit but the gains were limited as crude prices were weak.

Overnight US stocks closed in the green and Dollar weakened as New York Fed President John Williams argued for pre-emptive measures to avoid having to deal with too low inflation and interest rates. Williams' rate-cut view was echoed by Fed Vice Chair Clarida, who said that US Fed might have to act early and not wait "until things get so bad". Financial markets quickly reacted, with money market futures pricing in almost a 70% chance of a 50 basis point cut at its policy meeting on July 30-31 at one point. The odds eased to around 40% after the New York Fed spokesperson said later that NY Fed chief's speech was not about potential actions at the upcoming policy meeting. With Fed fund futures having given a 100 percent probability of a 25 bps cut in July meeting, USD traders have paid more attention to the odds for a 50 bps cut. Dollar has maintained an inverse correlation with those odds.

RBI has been buying dollar quite aggressively for the past one month. FX assets have increased by over 6 billion over this period. A part of it can be attributed to impact of valuation changes but most of it is due to spot purchases by the central bank. With the MIFOR sustaining way above it's fair value is also a sign that RBI has been procuring Dollars also via forwards. FPI flows have been mildly positive as robust inflows in debt has more than offset the outflows from equity. Having said that, there is not enough momentum in the speculative flows to compel the pair to sustain below 68.50 on spot. At the same time, upside shall remain capped unless global risk aversion spikes.

TECHNICAL VIEW & RUPEE CROSSES:

Primary downtrend is intact in USDINR. However failure to sustain below the March-April lows of 68.35/40, shows that the 4 month old range is intact of 68.40/50 and 70.00 is intact. It is early to say, whether this bounce from lower end of range would carry all the way to upper end of the range closer to 70.00, as there are multiple resistance zone between 69.00 and 69.50 zone on spot. We would look for scalping plays, mostly overnight shorts on spike and then cover the shorts as the pair declines anywhere between 20/30 paise.

In Rupee crosses, EURINR has bounced from a key support zone below 77.00 levels on spot. We would wait for the pair to rise towards 78.25/78.50 zone on spot to short again. On GBPINR, we would wait for the pair to bounce towards 87.00 to enter fresh shorts with stop above 87.50 on a closing basis. On JPYINR, we are bullish as long as above 63.00 on spot. **** CHART ON NEXT PAGE ****

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