| INSTRUMENT | LAST PRICE | 1 DAY | 1 MONTH | 1 YEAR |
|---|---|---|---|---|
| USD/INR | 69.15 | 0.26% | -2.8% | 6% |
| EUR/INR | 78.48 | 0.22% | -2.7% | -2% |
| GBP/INR | 91.69 | 0.08% | -1.0% | 0% |
| JPY/INR | 61.94 | 0.02% | -3.6% | 1% |
| EUR/USD | 1.1347 | -0.04% | 0.1% | -7% |
| GBP/USD | 1.3258 | -0.08% | 1.6% | -5% |
| USD/JPY | 111.59 | 0.18% | 0.7% | 5% |
| USD/CNH | 6.7171 | -0.01% | 0.0% | 6% |
| 10 YR YIELD- IN | 7.37 | (0.00) | 0.03 | (0.25) |
| 10 YR YIELD- USA | 2.61 | (0.00) | (0.04) | (0.29) |
| GOLD ($/Oz) | 1,305 | -0.1% | -2% | 0% |
| SILVER ($/Oz) | 15.34 | -0.2% | -4% | -5% |
| BRENT CRUDE ($/Brl) | 67.58 | 0.0% | 1% | 0% |
| COPPER 3M ($/Ton) | 6459 | 0.5% | 2% | -6% |
| NIFTY | 11517 | -0.14% | 7.28% | 14% |
| HANGSENG | 29322 | -0.49% | 2.83% | -7% |
| S&P 500 | 2833 | -0.01% | 1.72% | 4% |
| INR 1M FWD | 0.28 | 0.01 | 0.03 | (0.04) |
| INR 2M FWD | 0.49 | 0.00 | (0.05) | (0.05) |
| INR 3M FWD | 0.72 | (0.01) | (0.03) | (0.05) |
| INR 6M FWD | 1.29 | (0.04) | (0.19) | (0.11) |
| INR 12M FWD | 2.40 | (0.07) | (0.54) | (0.19) |

| | 1 DAY | MTD | QTD | CTD |
|---|---|---|---|---|
| FII INVESMENT- EQ ($ Mn) | 365 | 3,301 | 5,596 | 5,596 |
| FII INVESMENT- DEBT ($ Mn) | 136 | 1,391 | (261) | (261) |
| TOTAL- ($ Mn) | 500 | 4,692 | 5,335 | 5,335 |

| CURRENCY | ECONOMIC DATA |
|---|---|
| GBP | CPI |
| USD | FOMC Meeting |

## FX VIEW

After a week of relentless decline, USDINR bounced, from the intra-day lows of 68.34 towards 69.02, on spot, before closing under 69.00. There were rumours of aggressive intervention from the central bank. Yesterday's intervention may have been one of the biggest buying spree in the Greenback in sometime. The pace of intervention caught speculators by surprise. Few of them were forced to cover their Dollar shorts. Ahead of Fed, some specs decided to take to the side-line, instead of risking a gaping risk in the pair from a hawkish Fed.

Inflows continue unabated as FPIs are eager to chase Indian large and mid-cap stocks. With bulk of the flows occurring via ETF, it can be termed as fast money. If situation changes, domestically or globally, the reversal may not take much time. Over the past three months, flows have been going on and off like a switch. Hence, traders and hedgers need to be nimble.

Being at the flag end of financial year, remittances from exporters are going to be lumpy. Apart from exporter led flows, we need to watch out for the flows from the ArcelorMittal-Essar steel deal.

ArcelorMittal, in a joint venture with Japan-based Nippon Steel & Sumitomo Metal Corp., has offered an upfront cash settlement of ?42,000 crore to lenders and?8,000 crore capital infusion. However, the National Company Law Tribunal (NCLT) had, in its order earlier this month, asked ArcelorMittal to offer 15% of the upfront cash settlement of?42,000 crore, or ?6,300 crore. Nevertheless, this particular flow is well telegraphed and hence may not impact when the actual flow occurs as market makers may have already adjusted their books accordingly. On odd days, when liquidity will be low, it may create some flutter. T

Tonight, all eyes on FOMC. Nothing is expected on rates but focus will be on the new Summary of Economic Projections. It will likely produce weaker growth and inflation forecasts, as well as a reduced glide path of interest rates (dot plot). Fed has done a 180 degree turn since last November. In November they went all guns blazing, hinting an almost one hike per quarter in 2019. Since then, not only have they raised question on further hikes this year but also let the market price in an end to the quantitative tightening program before 2020.

Fed fund futures is pricing in no hikes in 2019, which is in contrast to two hikes baked into the Fed's dot plot. Fed is widely expected to lower that rate hike projection. The question is, will it be to zero or a solo hike. Economic growth has been dismal in Q1 2019, as real time GDP tracker now pin a growth of around 0.4% q-o-q annualized. One can blame the month long government shutdown for that but global economic outlook is getting weaker by the day. Yesterday, FedEx reported declining international revenue as a result of unfavourable exchange rates and the negative effects of trade battles. However, they have also said that the reason for the dismal outlook is the weakness in the non-US part of the global economy. It is a fact that though US economic momentum has slowed but the overall level of growth remain much better than many parts of the world. This is the reason why Fed may keep the door open for one hike in 2019, which always be rolled back, if the global economy does not allow.

**TECHNICAL VIEW:**

Not just INR, all the major currencies in DM and EM will react to Fed. On majors, EURUSD faces strong resistances between 1.1360 and 1.1420. We would be looking for shorting opportunties with stops above 1.1420. On USDINR, we would look to enter fresh shorts closer to 69.30 levels on spot, with stops placed above on a daily closing basis.

***** CHART ON NEXT PAGE*****

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***Thanks to the FX swap program from RBI, cost to hedge Dollar payables for a year has plunged to levels last seen during 2011. In 2011, the narrow fwd premia occurred on the back of USD shortage but this time its occurring in normal market conditions. This can be positive for debt flows into India.***

***Intermediate trend remains downward for USDINR. Intra-week corrections are not going to alter the bearish view, unless and until they can bring the pair above the two overhead supply zones, 69.40/45 and 69.60/65 levels.***

Source: Bloomberg

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