

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.58	0.25%	-1.3%	9%
EUR/INR	80.30	0.07%	-1.8%	5%
GBP/INR	89.07	0.07%	-3.2%	4%
JPY/INR	62.79	0.32%	-1.2%	10%
EUR/USD	1.1381	0.04%	0.1%	-4%
GBP/USD	1.2620	0.08%	-1.3%	-6%
USD/JPY	112.36	-0.11%	-0.4%	-1%
USD/CNH	6.9099	0.06%	-0.5%	5%
10 YR YIELD- IN	7.26	0.04	(0.53)	0.04
10 YR YIELD- USA	2.77	0.01	(0.30)	0.27
GOLD (\$/Oz)	1,245	0.1%	2%	-2%
SILVER (\$/Oz)	14.56	-0.2%	2%	-10%
BRENT CRUDE (\$/Brl)	56.45	-1.4%	-10%	-13%
COPPER 3M (\$/Ton)	6015	0.8%	-4%	-13%
NIFTY	10919	-0.44%	2.47%	5%
HANGSENG	25582	-1.10%	-1.00%	-12%
S&P 500	2507	-1.54%	-5.11%	-6%
INR 1M FWD	0.24	0.00	(0.01)	0.05
INR 2M FWD	0.47	0.01	(0.02)	0.06
INR 3M FWD	0.70	0.02	(0.02)	0.06
INR 6M FWD	1.42	0.01	(0.04)	0.03
INR 12M FWD	2.73	0.00	(0.17)	(0.04)
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	(48)	373	(2,511)	(4,517)
FII INVESTMENT- DEBT (\$ Mn)	54	280	(182)	(7,292)
TOTAL- (\$ Mn)	6	653	(2,693)	(11,809)

CURRENCY	ECONOMIC DATA
GBP	Retail Sales
GBP	UK Monetary Policy

#### INDIA NEWSWIRE

1. Economic Affairs Secretary Subhash Chandra Garg said on Wednesday an interim dividend would be sought from the central bank.

#### WORLD NEWSWIRE

1. US Senate has passed a stopgap funding measure to avert government shut down, which is positive for USD.

#### FX VIEW

I am back after a short break. Travelled across the NCR and Western UP to touch base with customers and prospects. Unlike Mumbai, weather is awesomely cold and enjoyable. However, in markets, mood has turned quite warm for the Rupee and Rupee assets: bonds and equities. Hope you all traded the 71.00 Put option, which we recommended at 14 paise, which went on to make a high of 1.19 yesterday. This is that time of the year, when liquidity and volatility, both may vanish, as traders head for year end festivities. Before delve into the seasonality, I will recap the events that occurred overnight.

First up the US central bank meeting.

The Fed did hike all right, raising interest rates by 0.25% from <2.25% to <2.50% but gave little indication that they could hit the brakes on tightening anytime soon.

- They signalled two more hikes in 2019, instead of 3 indicated before: Negative for USD
- Dished out downgrades to 2019 growth and inflation outlook: Negative for USD
- Risks are roughly balanced and path of rates data dependent: Neutral for USD
- Decision to hike Unanimous: Positive for USD and negative for global equity markets
- They acknowledged that financial conditions have tightened as stock market has fallen but that did not have material impact on their outlook for rates or economy: Positive for USD and negative for global equity markets
- Reached the bottom end of the neutral zone: Marginally negative for the US Dollar
- Balance sheet unwind to continue on an auto-pilot basis, not deterred by market decline: Positive for USD and negative for global equity markets

All in all it appears like a balanced policy. However, what spooked the Dollar shorts was the sharp decline in US equity markets post policy. Yield curve continues to bear flatten in US and the stock markets are declining, a clear recipe for tightening financial conditions. Emerging markets tend to fare poorly in such environment. However, India is benefitting from the ongoing collapse in oil prices. But before you rejoice, keep in mind, the fall in global oil prices alongwith fall in global equities is not a template which works well for the Rupee and Indian equities for long. During 2015 and early 2016, a similar template of falling oil prices along with tanking global equities knocked the wind out of Indian equity markets and hence the Rupee. Rupee lost ground against USD then but went onto score gains against almost all other major currencies around the globe. Such a situation may not repeat but it pays to keep that situation in mind.

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



**25 DELTA RISK REVERSAL IS CALCULATED AS 25 DELTA CALL OPTION IMPLIED VOLATILITY - 25 DELTA PUT OPTION IMPLIED VOLATILITY**

Source: Bloomberg

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