

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.70	0.38%	0.0%	2%
EUR/INR	78.79	0.30%	1.4%	0%
GBP/INR	88.61	0.47%	0.1%	-1%
JPY/INR	65.07	0.48%	3.0%	5%
EUR/USD	1.1302	0.08%	1.3%	-3%
GBP/USD	1.2712	0.08%	0.0%	-4%
USD/JPY	107.08	-0.21%	-3.2%	-3%
USD/CNH	6.8611	0.00%	-1.1%	5%
10 YR YIELD- IN	6.83	0.04	(0.47)	(0.94)
10 YR YIELD- USA	2.00	(0.03)	(0.42)	(0.89)
GOLD (\$/Oz)	1,406	1.3%	10%	11%
SILVER (\$/Oz)	15.51	0.5%	7%	-5%
BRENT CRUDE (\$/Brl)	64.52	0.1%	-11%	-12%
COPPER 3M (\$/Ton)	5973	0.9%	-1%	-12%
NIFTY	11790	-0.35%	0.69%	10%
HANGSENG	28482	-0.24%	2.98%	-3%
S&P 500	2954	0.95%	3.14%	7%
INR 1M FWD	0.29	0.01	0.03	0.06
INR 2M FWD	0.57	0.00	0.07	0.09
INR 3M FWD	0.82	0.00	0.06	0.10
INR 6M FWD	1.61	0.01	0.10	0.14
INR 12M FWD	3.19	(0.08)	0.24	0.28
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(3)	8	2,972	11,198
FII INVESTMENT- DEBT (\$ Mn)	115	1,063	30	1,298
TOTAL- (\$ Mn)	112	1,071	3,002	12,497

CURRENCY	ECONOMIC DATA
EUR	Flash PMIs
USD	Flash Manufacturing PMI

WORLD NEWSWIRE

- The U.S. Federal Aviation Administration on Thursday issued an emergency order prohibiting U.S. operators from flying in an overwater area of Iran-controlled airspace over the Strait of Hormuz and Gulf of Oman due to heightened tensions.

FX VIEW

From politics to economics and finally over to geo-politics. When we thought that Fed enough ammunition to the INR bulls, Trump struck. This time the target is Iran. After Iran downed an US drone, which it says over its territorial waters but US contests the claim, there have been media reports of an imminent retaliation from US military. There are no official word on the same but US President has said that Iran has made a grave mistake by taking out US drone. If US decides to press ahead with military action against Iran, it risks losing control. Iran is no Syria. Iran has the potential to destabilise the entire region and push up oil prices significantly. Last thing the world needs now is higher oil prices. With US consumers and business facing the brunt of higher tariffs on account of trader war with China, higher oil prices can cause a demand shock which can derail the US economy and also the global economy. The media reports which suggested that US considered military action last night, also pointed out that US administration wants to minimize risk to the Iranian military or to civilians, if they go ahead with such a strike in future. However, no matter how calculated the response from US, it still risks escalation. Iran may deem such an attack, an attack on its sovereignty and retaliate with force. That can then spiral out of control. Media reports are also suggesting that Mr. Trump's national security advisers split about whether to respond militarily. Senior administration officials said Secretary of State Mike Pompeo; John R. Bolton, the national security adviser; and Gina Haspel, the C.I.A. director, had favoured a military response. But top Pentagon officials cautioned that such an action could result in a spiralling escalation with risks for American forces in the region. All in all, we need to keep a close eye on the region.

Impact of the geopolitical tensions being felt in the financial markets and commodity markets. Asian stock markets are trading weak. Oil prices are moving higher, with Brent now almost at 65 dollars a barrel. Gold has climbed above 1400 dollars, highest level since August 2013. Majors are holding strong against USD. USDINR has opened higher, around 69.75 and GOIsec yield has hardened to 6.83%. If US does respond militarily, it will be negative for INR, GOIsecs and Indian equity.

TECHNICAL VIEW & RUPEE CROSSES:

USDINR 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 USDINR breaks above 70.20 levels on spot. The low volatility phase has not ended with FOMC, now the next event where volatility may shift higher, could be G-20 meeting, end of the month. 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, EURINR is showing strength. Hence, we would look to buy the pair on dips as long as above 78.30 on spot on a daily closing basis. Initial target remains 79.50/80. On GBPINR, pullback can extend till 89.00 and even 89.50. On JPYINR, the pair could be coiling for a breakout. As a result, we would look to buy pullbacks. Our bullish bias is intact as long as JPYINR is above 63.00. **** CHART ON NEXT PAGE ****



Source: Bloomberg

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