

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.61	-0.31%	1.1%	8%
EUR/INR	80.20	0.59%	-0.6%	6%
GBP/INR	89.27	0.18%	-1.4%	7%
JPY/INR	63.26	0.24%	2.1%	7%
EUR/USD	1.1519	0.32%	-1.5%	-3%
GBP/USD	1.2824	0.20%	-2.1%	-1%
USD/JPY	110.03	-0.04%	-1.2%	1%
USD/CNH	6.8355	0.00%	0.4%	2%
10 YR YIELD- IN	7.84	(0.02)	0.05	1.33
10 YR YIELD- USA	2.83	0.01	(0.06)	0.65
GOLD (\$/Oz)	1,194	0.3%	-2%	-8%
SILVER (\$/Oz)	14.80	0.3%	-4%	-13%
BRENT CRUDE (\$/Brl)	72.18	0.0%	-1%	40%
COPPER 3M (\$/Ton)	5992	1.1%	-3%	-8%
NIFTY	11552	0.00%	4.92%	18%
HANGSENG	27726	0.47%	-1.76%	2%
S&P 500	2857	0.24%	1.97%	18%
INR 1M FWD	0.27	0.01	0.03	0.01
INR 2M FWD	0.51	0.00	0.02	0.03
INR 3M FWD	0.79	(0.01)	0.05	0.05
INR 6M FWD	1.52	0.02	0.04	0.08
INR 12M FWD	2.99	(0.00)	0.04	0.21
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(190)	30	238	(383)
FII INVESTMENT- DEBT (\$ Mn)	(50)	603	707	(5,402)
TOTAL- (\$ Mn)	(240)	633	945	(5,785)

CURRENCY	ECONOMIC EVENT
GBP	Public Sector Net Borrowing

INDIA NEWSWIRE

1. Depreciation of the rupee against the dollar will have limited impact on sovereign ratings of India, even as pressure on the corporate and banking sectors is likely to increase, Fitch Ratings said on Monday.
2. The government is working on a scheme to allow duty-free import of capital goods by the domestic industry, a measure that may be linked to employment generation.

WORLD NEWSWIRE

1. According to media reports, Trump administration is moving closer this week to levying tariffs on nearly half of Chinese imports. Twin initiatives-pursuing tariffs on \$200 billion of Chinese goods while relaunching talks to scrap tariffs-underscore a split within the U.S. administration, with negotiators in the U.S. Treasury Department offering a carrot, while the office of the U.S. trade representative threatens with a stick, both with the approval of President Trump,

FX VIEW

Last evening, it was Trump, who drove the Dollar lower, as he expressed displeasure at the fact that Fed continues hike interest rates and due to which Dollar remains strong. He singled out Eurozone and China manipulators of their currencies. US Dollar has been on a relentless rise over the past couple of weeks and a snap back was due. US Presidents comments provided the catalyst as almost all currencies rallied almost a percent against the Greenback. This is not the first time that the US President has commented on Fed's policy but it assumes importance now as the positioning in Greenback is getting towards longs. Interestingly, on one hand as speculators have piled on longs in Dollar they are also holding record shorts in the US treasury bonds. A mean reversion in both markets can trigger a sharp unwinding move in both. It is not just positioning, a strong dollar has started to take sheen off the US economic data. Bloomberg economic surprise index for US is now trending lower vis a vis similar indices of countries like Eurozone and UK. This is an indicative of loss of economic momentum. Historically, the divergence between waning relative economic momentum in US vis a vis Euro or GBP and prices of the EuroUSD and GBPUSD has sustained for a long time, like it is occurring now. However, when the convergence occurs it can be quite sharp.

Apart from Trump, another key figure who talked down the USD was FOMC voting member Raphael Bostic. He had a speech at the Johnson City Chamber of Commerce in Tennessee. Initially, he sounded optimistic about economic prospects as he acknowledged that growth is strong and unemployment is low. However, he mentioned that he favors one more interest rate hike this year, taking the total hikes tally to three, instead of four expected by the market participants.

A soft Dollar against all Asian currencies and majors should have a positive impact on INR. If the soft dollar momentum sustains overseas, then INR can retrace much of losses that occurred post Turkey crises against USD. Technically, USDINR is in a corrective downtrend and this downtrend remains intact as long as prices are not closing back above 70.00 levels on spot. We would expect a test of 69.40/50 zone, which if breached, can take the pair towards 68.80/69.00 zone on spot. Exporters are advised to hedge using range forwards and importers can look at put spreads to hedge themselves. Nevertheless, a close above 70.00 would be a sign that the downward correction has run its course and the uptrend in USD has resumed.

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