

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR	
USD/INR	72.01	0.27%	4.3%	3%	
EUR/INR	79.71	0.18%	3.3%	-2%	
GBP/INR	88.08	0.88%	2.4%	-3%	
JPY/INR	67.53	0.00%	5.7%	6%	
EUR/USD	1.1068	-0.11%	-0.8%	-4%	
GBP/USD	1.2233	-0.15%	-1.7%	-5%	
USD/JPY	106.55	0.10%	-1.6%	-4%	
USD/CNH	7.10	0.12%	3.0%	3%	
10 YR YIELD- IN	6.58	0.02	0.11	(1.30)	
10 YR YIELD- USA	1.63	0.02	(0.45)	(1.19)	
GOLD (\$/Oz)	1,495	-0.2%	5%	26%	
SILVER (\$/Oz)	17.01	-0.2%	4%	17%	
BRENT CRUDE (\$/Brl)	60.07	0.3%	-6%	-20%	
COPPER 3M (\$/Ton)	5683	-0.9%	-6%	-5%	
NIFTY	10678	-0.6%	-5.8%	-7.8%	
HANGSENG	26168	0.5%	-8.1%	-5.8%	
S&P 500	2923	-0.1%	-2.7%	2.3%	
INR 1M FWD	0.24	0.00	0.00	(0.03)	
INR 3M FWD	0.75	0.02	0.05	(0.03)	
INR 12M FWD	3.01	0.01	(0.05)	(0.02)	
USDINR 1 MONTH ATM IV	7.15	0.06	2.30	0.46	
USDINR 3 MONTH ATM IV	7.00	0.02	1.82	0.13	
		1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(146)	(1,335)	(3,269)	8,070	
FII INVESTMENT- DEBT (\$ Mn)	56	789	2,015	3,443	
TOTAL (\$ Mn)	(90)	(546)	(1,255)	11,513	

CURRENCY	ECONOMIC DATA
USD	Fed Chair Powell Speaks

TECHNICAL VIEW

Currency pair ==> USDINR spot

View = Intermediate trend remains UPWARD above 70.50 on spot.

Trade = Pair has closed above the key resistance near 71.80 on spot. Buy with stop below 71.60, target 72.40

Currency pair ==> GBPUSD spot

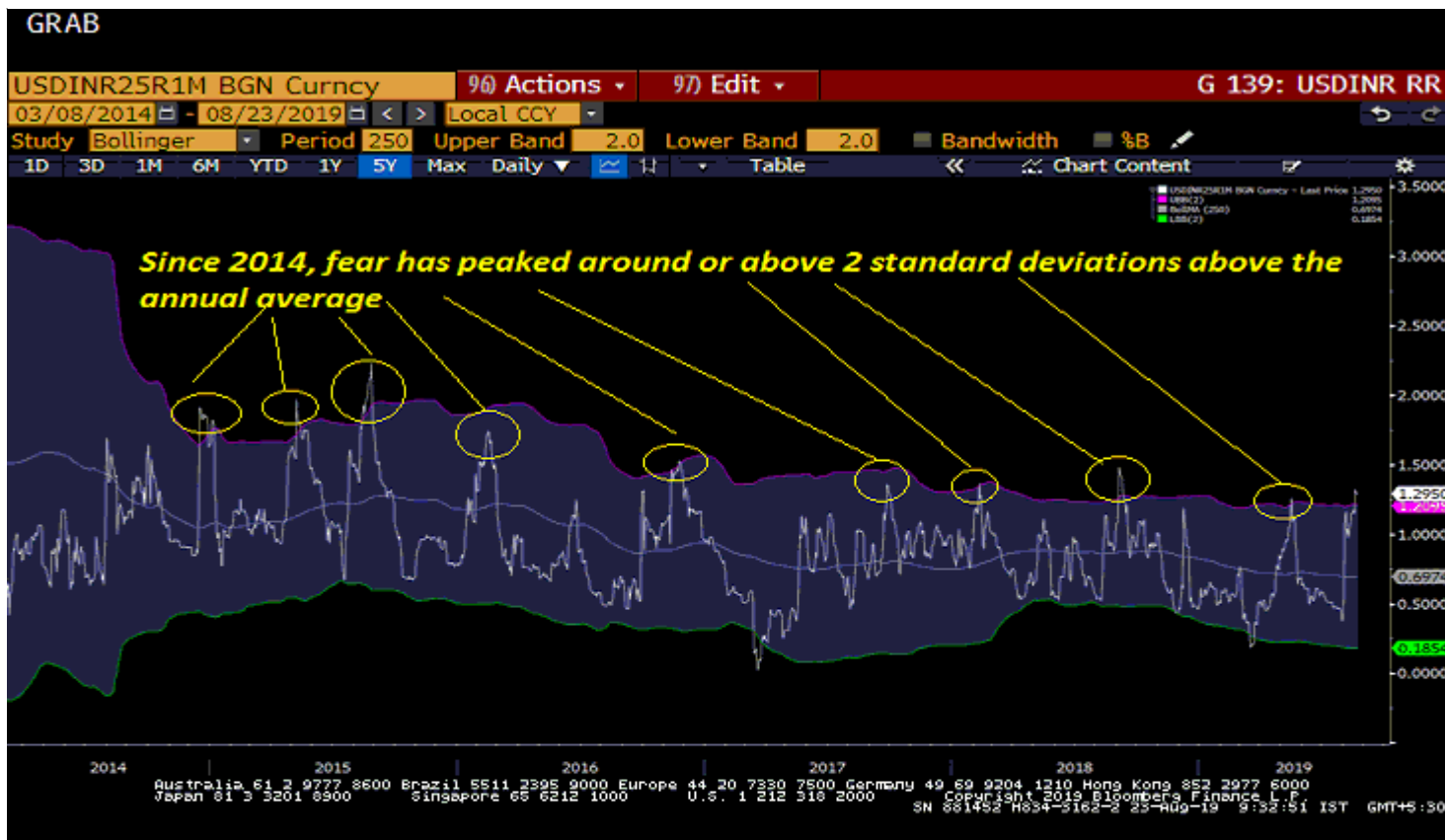
View = Pair is a near strong resistance closer to 1.2300

Trade = Sell between 1.2260/1.2280 TP 1.2185/65 SL 1.2305

MACRO VIEW

- On Thursday, it was a red day for Dalal street. Frontline indices were knocked by nearly 2%, with banks, metals, auto and real estate stocks facing the steepest cuts. After comments from the chief economic advisor of GOI, hope's for a fiscal stimulus faded and that weighed on sentiments. Indian stocks continue their underperformance against EM and DM peers. It is the reversal of the sustained multiyear outperformance that Indian stock market delivered. Dollar Rupee closed 27 paise higher at 71.81, after touching a 8 month high of 71.97 on spot. Suspected RBI selling may have saved 72 for now but not for long. Demand for dollars from large speculators and FPI are such that unless RBI steps in, this pair can spiral towards 72.50 levels. Supply of dollars from exporters have waned. Indian 10 year bond yields closed 1 bps lower at 6.56%, as traders cheered the news of no fiscal stimulus.
- Overnight European equity indices and US equity indices were mostly flat as traders await the speech of Fed Chairman at Jackson Hole. If he fires the liquidity bazooka from the hole, risk assets can rise. US long bond yields rose but the inversion returned as some of the regional Fed governors sounded quite hawkish.
- Asian equity indices are trading marginally higher. However, SGX Nifty is suggesting a flat open. Asian currencies, along with Chinese currency are trading weak against USD. Dollar CNH is testing 7.10 levels and looking bullish. Brent crude oil is trading above the 60 handle. Gold is trading lower at 1504 levels.
- EUROUSD is trading marginally lower at 1.1070. Bias remains bearish on the pair. Yesterday, Eurozone flash PMIs were better than expectation. While the manufacturing sector continues to contract according to the survey, the contraction did become somewhat softer as the output index increased from 46.9 to 47.8 in August. New orders continue to be dampened by weak demand from abroad. Concerns about manufacturing weakness spreading to the service sector haven't seemed to materialise in August. The service sector saw its PMI increase from 53.2 to 53.4, indicating that the divergence between the two sectors continues well into the third quarter.
- GBPUSD rallied sharply after German Chancellor Ms. Merkel was heard as saying that possibility remains for an alternative arrangement to Irish backstop. This was in line with demand from UK PM. Mr Johnson is demanding the backstop provision be removed from the UK's withdrawal agreement with the EU. The U.S. manufacturing PMI was 49.9 in August, down from 50.4 in July and below the neutral 50.0 threshold for the first time since September 2009. However, the news of contraction in the US manufacturing sector did not affect markets much.

*** CHART ON NEXT PAGE ***



25 delta risk reversal for 1 month in DOLLAR RUPEE = Spread between 25 delta Call option IV and 25 delta Put option IV.

Risk reversals in USDINR are akin to fear premium index in USDINR

Short term top in USDINR occurred with the peak in risk reversal or the fear premium. Are we near a short term peak? USDINR is also getting close to a major resistance zone defined by Dec'2018 high of 72.50.

Source: Bloomberg

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