

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.77	-0.35%	-0.1%	2%
EUR/INR	78.02	0.04%	-0.3%	-3%
GBP/INR	88.32	-0.23%	-2.4%	-4%
JPY/INR	63.67	-0.19%	1.9%	2%
EUR/USD	1.1180	-0.01%	0.2%	-5%
GBP/USD	1.2658	0.01%	-1.9%	-5%
USD/JPY	109.62	0.01%	-2.3%	0%
USD/CNH	6.9310	0.06%	2.8%	8%
10 YR YIELD- IN	7.22	(0.01)	(0.20)	(0.65)
10 YR YIELD- USA	2.33	0.01	(0.19)	(0.65)
GOLD (\$/Oz)	1,284	0.0%	1%	-2%
SILVER (\$/Oz)	14.58	-0.1%	-2%	-13%
BRENT CRUDE (\$/Brl)	68.59	1.2%	-8%	-13%
COPPER 3M (\$/Ton)	5926	0.0%	-8%	-14%
NIFTY	11697	0.34%	-0.25%	11%
HANGSENG	27324	0.21%	-8.33%	-11%
S&P 500	2822	-1.19%	-3.59%	3%
INR 1M FWD	0.25	(0.00)	(0.07)	0.01
INR 2M FWD	0.50	0.00	(0.08)	0.03
INR 3M FWD	0.74	(0.03)	(0.14)	0.04
INR 6M FWD	1.49	(0.01)	(0.19)	0.09
INR 12M FWD	2.94	(0.04)	(0.28)	0.14
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	231	(476)	1,065	9,291
FII INVESTMENT- DEBT (\$ Mn)	(2)	(175)	(1,744)	(476)
TOTAL- (\$ Mn)	229	(651)	(679)	8,815

CURRENCY	ECONOMIC DATA
GBP	Retail Sales
USD	Durable Goods Orders

INDIA NEWSWIRE

- The U.S. Commerce Department said it was proposing a new rule to impose anti-subsidy duties on products from countries that undervalue their currencies against the dollar, aimed at PRC.

FX VIEW

NaMo retained power with a mandate which is bigger than 2014. Counting is still underway but election commission website suggests, that NDA could be headed for a haul of 353 seats, higher than 336 seats it got in 2014. BJP alone is headed for a seat count of 303, a full majority. Indian financial markets have a lot to cheer. NDA has been a strong and decisive government. With Indian restoring their faith on them means, that GOI can continue to pursue reforms on multiple areas of the economy. Remember, this is not a change of government and hence the path of governance in the new term may not differ significantly from the first. We expect GOI to continue to take steps in formalising the economy and improving the tax base. Direct tax reforms and fine tuning of the GST structure would happen. Reforms on land and labour are complex issues and that would require an incremental approach, rather than a heavy handed move. We expect slow but sure progress in that area. National security remains a major success area of the NDA government.

There are several challenges as well. Subdued global commodity prices have depressed farm income for a while now. Household consumption has slowed down. NBFC crises threatens to become systemic. Ecological issues are at the forefront. All these things would require GOI to focus immediate attention. Union Budget is on the cards and focus may continue to be on inclusive growth. Global economic environment is quite volatile. Trade war between US & China and US & EU can upend global growth. In such a scenario, there may be a need to provide targeted fiscal stimulus to the economy. Investments from the private are slowly picking up. However, fiscal constrain may compel government to focus extra-budgetary borrowing to push public investments. RBI would have to support the economy by augmenting Rupee liquidity so that the low rates transmit in the economy. If the foreign capital inflows remain robust, then RBI can infuse INR liquidity through the FX markets, via purchase of Dollars in the spot market.

Yesterday, Dollar Rupee, rather than depreciating, appreciated, from 69.37 to 70.01 by close. Short covering from large speculators, RBI intervention and outflows from custodial banks caused the weakness in the Rupee. Nifty too reversed and closed deep in the red. Overnight US stocks suffered heavy losses but in Asia today, stock markets are marginally lower. Dollar is trading soft against most major currencies. Oil has crashed from 72 dollars to 68.00 dollars a barrel on Brent. All in all, positive news for Rupee this morning. However, with elections now behind us, USDINR will pivot to the global factors. Over there we need to watch USDCNY & USDCNH. Speculative outflows and speculative bets are building up on Yuan. The biggest risk is if any day, USDCNY breaks past the psychological 7 mark against USD. It can lead to sharp sell-off across the board in EM currencies, including the Rupee. Pay close attention to that.

TECHNICAL VIEW & RUPEE CROSSES:

The downtrending channel is still intact in USDINR. As long as that geometric pattern is holding, primary trend can be termed as downward. Refer to the chart on the next page. Near term range at play is 69.40 and 70.10 on spot. Sell on rise remains the trade with stop above 70.10 on spot.

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



Source: Bloomberg

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