

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	68.97	-0.02%	-0.5%	0%
EUR/INR	76.80	-0.11%	-2.8%	-5%
GBP/INR	86.04	-0.26%	-2.7%	-5%
JPY/INR	63.77	-0.03%	-1.5%	3%
EUR/USD	1.1135	-0.04%	-2.0%	-5%
GBP/USD	1.2476	-0.06%	-1.7%	-5%
USD/JPY	108.17	-0.02%	0.9%	-3%
USD/CNH	6.8774	0.02%	-0.1%	2%
10 YR YIELD- IN	6.45	0.01	(0.43)	(1.34)
10 YR YIELD- USA	2.05	0.00	0.06	(0.93)
GOLD (\$/Oz)	1,422	-0.3%	0%	15%
SILVER (\$/Oz)	16.47	-0.8%	7%	6%
BRENT CRUDE (\$/Brl)	63.32	0.2%	-3%	-14%
COPPER 3M (\$/Ton)	5999	0.5%	1%	-5%
NIFTY	11314	0.37%	-4.09%	2%
HANGSENG	28610	0.30%	1.50%	-1%
S&P 500	3020	0.47%	3.50%	6%
INR 1M FWD	0.24	0.01	(0.11)	(0.01)
INR 2M FWD	0.46	0.00	(0.15)	(0.04)
INR 3M FWD	0.73	(0.00)	(0.14)	(0.04)
INR 6M FWD	1.48	0.01	(0.20)	(0.03)
INR 12M FWD	3.08	0.03	(0.20)	0.11
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(398)	(1,873)	(1,873)	9,466
FII INVESTMENT- DEBT (\$ Mn)	9	1,131	1,131	2,559
TOTAL- (\$ Mn)	(389)	(742)	(742)	12,025

CURRENCY	ECONOMIC DATA
EUR	German Ifo Business Climate
EUR	ECB Press Conference
USD	Durable Goods Orders

FX VIEW

Across major economies in the developed world, it is a two speed economy. PMI surveys, which maps sentiments of businesses across various parameters: orders, exports, production, employment, output, inflation etc., is out for the month of June. In Eurozone economies and US, manufacturing remains a weak spot but services sector continues to hold up. Especially in Germany, where manufacturing sector underwent one of its most marked contractions since 2009. Same story for France and even for US. However, services sector performance is more upbeat, thanks to still robust labour market, jobs and wage growth, which is driving household consumption. Manufacturing is more tuned to global forces and hence feeling the impact of trade war and Brexit. As long as the labour market indicators hold up, this divergence can persist.

Back home in India, pink papers are full of stories of lay-off in auto sectors. It is not just auto sector which is being adversely impacted by the slowdown in household consumption, but almost all consumer facing industries. Even some of the large infrastructure players are sounding downbeat on corporate capex. In such an environment, debt downgrades become quite common across financial and non-financial space, and that is exactly what we are witnessing. For the economy to remain afloat it is now even more dependent on government consumption and external sector. Trade war and consequent slowdown in global trade has not helped matters. Therefore, only engine which can continue to fire is government spending, but even that has a limitation by way of Budget constrain. This means, Govt has become smart in generating revenues through ways like disinvestments, to deploy the financial resources in promoting economic rebalancing.

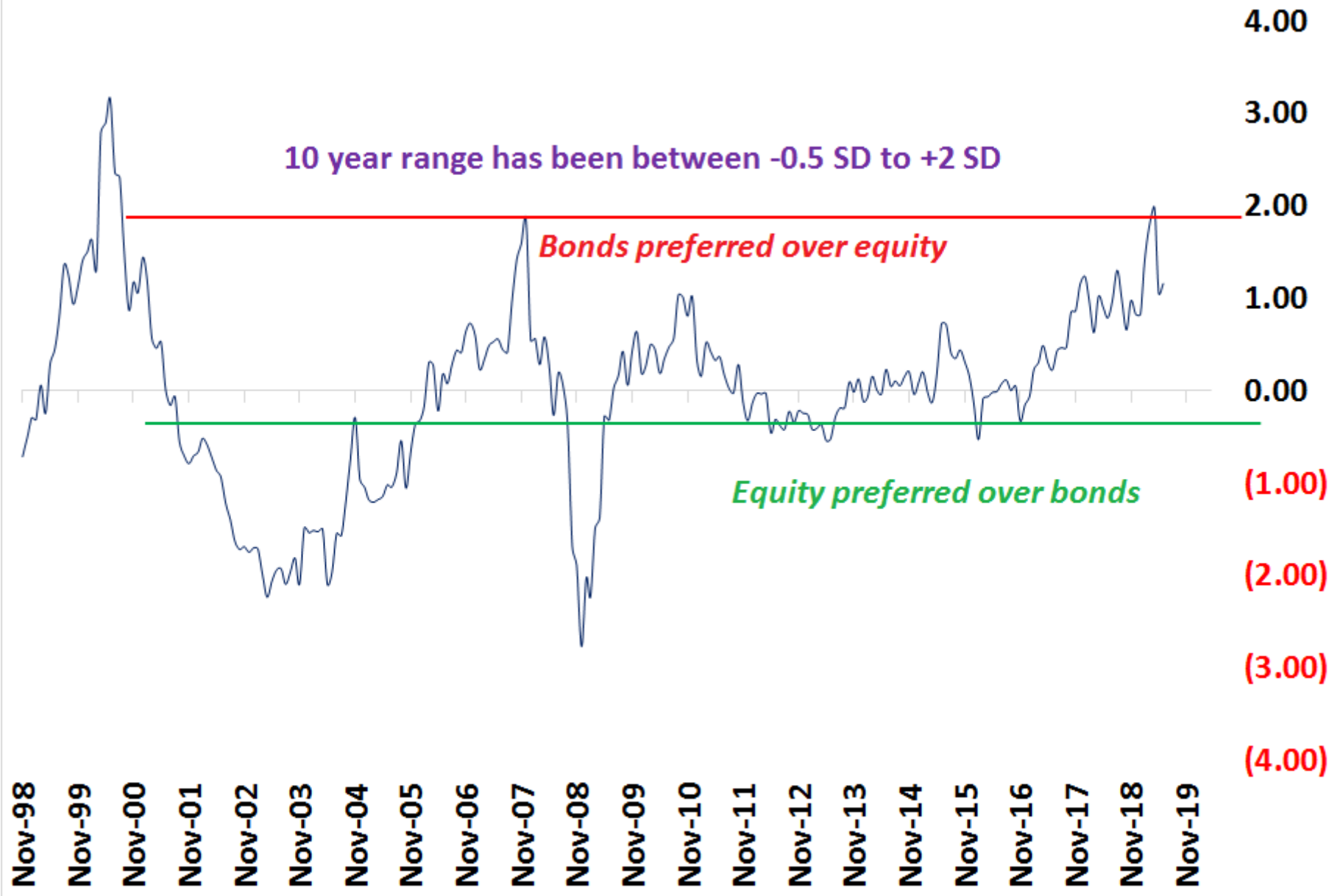
Weak growth and low inflation is an environment where sovereign and quasi-sovereign bonds can thrive. Investors would prefer such high quality debt due to the potential for capital gains. However, within the equity market, cyclical sectors may continue to languish and defensives outperform. For the currency, Rupee, it is a tricky situation. Till now, Rupee against US Dollar, though has depreciated by 1% from the 52 week highs but the extent of depreciation is muted when compared with the carnage in the stock market. It could be due to the inflows in debt mostly offsetting the outflow from equity, high MIFOR rates encouraging carry trades and corporate flows. As long as this dynamic persists, USDINR may continue to get squeezed within a low volatile range. For traders, selling OTM or ATM options can be the way to benefit from this situation. Strategies like short Straddle or strangles can be done with week end or even month end options. However, one needs to monitor such positions closely, as any sudden spike in volatility can cause losses in such trades.

TECHNICAL VIEW & RUPEE CROSSES:

Primary downtrend is intact in USDINR. Short term trend is sideways. USDINR face resistance around 69.10/20 levels on spot, which if conquered can open doors for a move towards 69.50/60 zone on spot. The pair needs to break below 68.90 sustainably to negate the near term bullish momentum. Intra-day shorts on USDINR can be done between 69.10/20 zone on spot, but we would advise covering those shorts if the pair trades above 69.20 and sustains. Above 69.20, one can revere to long USD with stop below 69.00 on spot and aim for 69.40/50 zone. For the past few days, the intra-day range has become shallow, which can be sign of consolidation, which augurs well for the Dollar bulls. In Rupee crosses, EURINR trend remains downward and sell on rise as long as below 78.50 on spot. In GBPINR, bias remains bearish as long as the pair holds below 88.00 level on spot. In JPYINR, we are bullish as long as above 63.00 on spot.

*** CHART ON NEXT PAGE ***

Z SCORE of difference between Sensex PE & India GOIsec 10 year PE



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