INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	72.92	0.39%	3.8%	11%
EUR/INR	85.56	0.14%	4.8%	10%
GBP/INR	95.57	0.14%	5.6%	8%
JPY/INR	64.63	0.31%	2.4%	10%
EUR/USD	1.1738	-0.09%	0.5%	-1%
GBP/USD	1.3104	-0.12%	1.6%	-3%
USD/JPY	112.82	0.02%	1.5%	1%
USD/CNH	6.8615	-0.10%	1.0%	4%
10 YR YIELD- IN	8.13	0.01	0.26	1.51
10 YR YIELD- USA	3.09	0.01	0.28	0.87
GOLD ($/Oz)	1,199	0.0%	-1%	-9%
SILVER ($/Oz)	14.24	-0.1%	-4%	-17%
BRENT CRUDE ($/Brl)	81.41	0.3%	7%	38%
COPPER 3M ($/Ton)	6353	-0.2%	4%	-2%
NIFTY	10967	-1.58%	-5.10%	11%
HANGSENG	27499	-1.62%	-0.62%	0%
S&P 500	2919	-0.35%	1.55%	17%
INR 1M FWD	0.28	(0.00)	0.01	0.04
INR 2M FWD	0.57	0.00	0.05	0.10
INR 3M FWD	0.84	(0.00)	0.05	0.15
INR 6M FWD	1.60	(0.03)	0.08	0.26
INR 12M FWD	3.26	0.05	0.22	0.56

	1 DAY	MTD	QTD	CTD
FII INVESMENT- EQ ($ Mn)	115	(418)	(488)	(1,110)
FII INVESMENT- DEBT ($ Mn)	69	(1,071)	(611)	(6,720)
TOTAL- ($ Mn)	184	(1,489)	(1,099)	(7,830)

CURRENCY	ECONOMIC EVENT
USD	CB Consumer Confidence

INDIA NEWSWIRE

1. Finance minister Arun Jaitley will hold the annual review meeting with chief executives and the top management of public sector banks (PSBs) on Tuesday.
2. The Central government may increase import duties on precious stones, certain types of steel and electronics but will spare gold to prevent smuggling, a finance ministry official said on Monda

FX VIEW

The bear handshake between credit and equity markets is a ominous development for Rupee. As if rising oil prices, elevated levels of yields in DM and EM outflow was not enough, the funding squeeze in the under developed debt market in India can cause further damage to Rupee. Overnight US markets closed in the red and Dollar bounced back from the intraday low that it scored against Euro and GBP. Oil prices have reached a new 52 week high at 81.50 on dated Brent. Technical structure continues to remain bullish for oil. With oil having brushed aside EM turmoil and broader Dollar strength, builds a case for higher prices in weeks to come. A move towards 90/95 dollars a barrel on Brent can trigger even more outflows from India. With equity now quite sensitive to Rupee-Bond Nexus, rising oil can trigger outflow from domestic equity markets as well. If last year was when no amount of mud thrown at INR really stuck, this year, Rupee is homing on any negative factor that it can spot. This what a reversal of carry trade does. When carry is on, setbacks are short lived but when they reverse, are positive factors are bull dozed.

What we are seeing in credit markets in India is a sign of reversal of excesses. Post 2014, inflation and interest rates fell sharply. A sustained low inflation period, allowed for interest rates to be lowered as well. Demonetization added fuel to that trend by flattening the yield curve. At the same time, rotation of flow of household savings away from hard assets towards financial assets caused a swell of money move around hunting for yield. Yield starved fund managers and investors, finding not enough post tax nominal yields on Bank deposits, moved into exotic products- debt products and high risk equity plays. Indian debt market lacks a liquid secondary market, especially outside of government issues and quasi government paper. The repo market is non-existent. Such risks were ignored as there was too much money chasing too few markets. It was the best game in town. Now with interest rates on the rise, inflation slowly creeping higher and risk of default, suddenly the debt market liquidity has vanished. In financial sector, there are times when liquidity crises can morph into solvency issue. We hope regulators and government steps in soon to prevent any such systemic risks from manifesting.

Going to into expiry of September contract tomorrow, there is around $2.6 billion of outstanding positions on September futures contract. There is a risk that a short squeeze can occur as inter-bank traders are forced cover before the contracts roll over. This can add to the pressure on INR and INR can weaken further.

TECHNICAL VIEW & RUPEE CROSSES:

Technically, USDINR remains in an uptrend. However, near term pullback cannot be ruled out. For the week we would remain buyers between 71.40/70 zone on spot with stops on a closing basis below 71.40, TP 73.00/73.50. On JPYINR we remain bullish but currently the pair is struggling to clear 65.50 on spot. JPYINR is a INR proxy on EM/India risk trade. We would look to enter longs on a decline towards 63.00 levels on spot. Once the EM risk aversion trade makes a comeback, JPYINR pair can be a major beneficiary.

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