

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR	
USD/INR	69.11	0.09%	-0.1%	1%	
EUR/INR	77.06	0.16%	-2.0%	-4%	
GBP/INR	86.03	-0.30%	-2.0%	-5%	
JPY/INR	63.59	0.06%	-1.0%	3%	
EUR/USD	1.1150	0.03%	-1.9%	-4%	
GBP/USD	1.2449	-0.07%	-1.9%	-5%	
USD/JPY	108.61	-0.02%	0.8%	-2%	
USD/CNH	6.8794	0.09%	-0.1%	1%	
10 YR YIELD- IN	6.53	0.02	(0.40)	(1.23)	
10 YR YIELD- USA	2.07	(0.02)	0.02	(0.91)	
GOLD (\$/Oz)	1,417	0.1%	1%	16%	
SILVER (\$/Oz)	16.41	0.0%	7%	7%	
BRENT CRUDE (\$/Brl)	63.51	0.2%	-4%	-15%	
COPPER 3M (\$/Ton)	6007	0.1%	-1%	-4%	
NIFTY	11247	-0.04%	-5.07%	1%	
HANGSENG	28459	-0.47%	0.84%	-1%	
S&P 500	3004	-0.53%	3.08%	6%	
INR 1M FWD	0.23	0.00	(0.15)	(0.02)	
INR 2M FWD	0.47	0.00	(0.18)	(0.02)	
INR 3M FWD	0.72	0.00	(0.20)	(0.04)	
INR 6M FWD	1.50	0.00	(0.25)	(0.02)	
INR 12M FWD	3.10	0.02	(0.23)	0.11	
		1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(210)	(2,083)	(2,083)	9,256	
FII INVESTMENT- DEBT (\$ Mn)	139	1,270	1,270	2,698	
TOTAL- (\$ Mn)	(71)	(813)	(813)	11,954	

CURRENCY	ECONOMIC DATA
USD	Q2 advance estimate of GDP

FX VIEW

In a time of news, fake news and alt news, just having information is not enough, whether that information is credible is far more important. The most respected news services have blundered quite a few times, in order trying to be the first one to "break" a news. Keeping this point in mind, we need to approach a unconfirmed news which was flashed yesterday, which said that PMO is not in favour of issuing dollar denominated sovereign bonds. PMO would like MoF to consider issuing Rupee denominated bonds instead. Now there is lack of clarity, whether this Rupee denominated bond will be issued to only offshore players, which then becomes a Masala Bond, or would it be issued locally, which then will add to the supply of GOIsecs in the market. If it is latter, it is can cause 10 year yields to rally possibly another 20/30 bps, closer to 6.70/6.80% levels. However, if it is Masala bond, then it means the supply of these bonds does not hit onshore market, but is sold offshore. In a masala bond, the risk of currency depreciation is on the foreign investor. Except for the fact that who houses the currency risk, the impact on currency and bond market remains same like a Dollar denominated bond. A foreign investor, looking to invest in such bonds, would have to buy Rupee and sell dollars, which creates a demand for Rupees against Dollar. At the same time, local investors have to absorb that much less of bonds. Additionally, it takes away the currency risk from the balance sheet of Gol. A masala bond issuance by sovereign can be seen as an indirect hike in FII investment limit in Golsecs. With interest cycle pointing downward and global dynamics favourable to EM bonds, appetite for Indian sovereign bonds from FPIs can remains high. However, it can be argued that the yields on such bonds could be higher than INR bonds due to higher liquidity premium. We have to wait for official confirmation of the same from the MoF.

Yesterday, Rupee and bond yields, both reacted negatively to the news break on dollar bonds. USDINR rose towards 69.06 from 68.92 and finally closed around 69.04. Bond yields rose from 6.42% to 6.55%. Overnight, US stocks closed in the red and Asian stocks are also trading down in the morning. Twin economic releases from US, jobless claims and durable goods orders, both came in much stronger than expected which increased the odds that Fed may go for "one and done" cut in rates, rather than a series of cuts in rates. Dollar bounced back against majors, Euro, GBP and JPY. Euro got hit, after dovish commentary from the chief of European central bank, who post monetary policy announcement, in the presser said, that, ECB is open to further easing: rate cut and more QE. The saving grace for Rupee is that Brent crude is trading below 64 handle. However, that effect may not last long, if domestic equity markets tumble.

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 reverse to long USD with stop below 69.00 on spot and aim for 69.50/60 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 ***



Source: Bloomberg

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