

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	68.88	0.03%	-3.4%	6%
EUR/INR	77.54	-0.51%	-4.8%	-4%
GBP/INR	90.83	-0.39%	-4.4%	-1%
JPY/INR	62.28	0.05%	-3.0%	1%
EUR/USD	1.1257	-0.08%	-1.0%	-9%
GBP/USD	1.3187	-0.19%	-0.9%	-7%
USD/JPY	110.62	-0.02%	-0.3%	5%
USD/CNH	6.7223	-0.02%	0.6%	7%
10 YR YIELD- IN	7.34	(0.00)	(0.14)	0.00
10 YR YIELD- USA	2.42	(0.01)	(0.26)	(0.36)
GOLD (\$/Oz)	1,315	0.0%	0%	-2%
SILVER (\$/Oz)	15.42	0.0%	-2%	-7%
BRENT CRUDE (\$/Brl)	68.18	0.3%	3%	-3%
COPPER 3M (\$/Ton)	6330	-0.2%	-3%	-4%
NIFTY	11530	0.40%	6.69%	13%
HANGSENG	28717	0.53%	-0.14%	-7%
S&P 500	2818	0.72%	0.93%	8%
INR 1M FWD	0.33	0.00	0.03	0.09
INR 2M FWD	0.57	0.03	(0.02)	0.08
INR 3M FWD	0.77	0.00	(0.05)	0.07
INR 6M FWD	1.41	0.00	(0.18)	0.04
INR 12M FWD	2.59	0.02	(0.39)	0.02
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	(96)	3,930	6,225	6,225
FII INVESTMENT- DEBT (\$ Mn)	511	2,619	966	966
TOTAL- (\$ Mn)	416	6,548	7,191	7,191

CURRENCY	ECONOMIC DATA
EUR	ECB President Draghi Speaks

### FX VIEW

If I told you that in just one day, US economy spewed out series of disappointing data:

- U.S. homebuilding fell more than expected in February as construction of single-family homes dropped to more than a 1-1/2-year low.
- Building permits for Feb came in lower than expectation
- US January Case-Shiller 20-city house price index 3.58% vs +3.8% y/y expected
- Richmond Manufacturing Index for March came in lower than estimate
- US consumer sentiment deteriorated in March with the Confidence Index dropping to 124.1 from 131.4 in Feb

And now I ask you a simple question:

What would Dollar have against major global currencies, overnight?

Ans: Most of you would have said, that Dollar would have weakened.

What happened was completely opposite. USD strengthened against everything, DMs and EMs. USD is the "cleanest dirty shirt in the laundry basket", meaning that although US economy has lost momentum but compared with other economies around the globe, Europe and EMs, it is attractive enough to attract inflows.

Rupee, at this point, is one of the few currencies which is holding promise to stand in front of this Dollar resilience. Rupee is enjoying the long India tactical play, ahead of elections, betting on a return of NDA. However, RBI is standing like a wall. They are happy to lap up billions of dollars every week but not allow Rupee strengthen beyond 68.50 on spot. As a result, trading will become tricky in INR. We would change our approach from selling USDINR on momentum to fade a spike towards 69.20/40 region on spot and then cover those shorts below 69.00, between 68.75/85 region. The range could get narrow.

USDINR has a tendency to form long drawn out rounded bottoms. Such formations, as they occur, can often stop out traders looking to play trend or momentum. For eg, between June 2017 to March 2018, USDINR oscillated wildly between 63.50 and 65.00 levels on spot. During that phase, aggressive intervention from the central bank prevented USDINR from breaking below 63.00 handle. One way to trade such formations are to demarcate clear zones of demand and supply. Once done, then either one can play long and short closer to the flanks of that range or one can pick just a long or short side bet and wait for the prices to travel upto that range extreme to take bets. Currently, 69.40/60 on spot, remains the resistance zone and closer to 68.80, followed by 68.30/50 are the major support areas.

Yesterday, in our note we covered the swap results. In short, the demand for Rupee liquidity was significant. We expect Rupee liquidity to turn into surplus during first half of FY 20, therefore RBI may shy away from fresh swaps or even large scale OMOs. Having said that, direction of the forward would depend on how aggressive RBI remains on future path of rates. Markets have pencilled in a 50 bps cut during the next two quarters. However, if RBI hints at 75-100 bps reduction by moving its stance from neutral to accommodative, then it can have a salutary impact on forwards.

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



***Inverted yield curve is negative for global risk environment. There have been phases where the flattening or inverting yield curve has diverged from rising EM equity index & EM currencies, but they have not lasted for long. Keep a watch on the yield curve***

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