

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.21	0.08%	-0.4%	1%
EUR/INR	78.60	0.03%	1.0%	-1%
GBP/INR	87.77	0.06%	-0.5%	-3%
JPY/INR	64.05	-0.27%	0.9%	3%
EUR/USD	1.1355	-0.12%	1.4%	-2%
GBP/USD	1.2681	-0.07%	0.0%	-3%
USD/JPY	108.08	0.27%	-1.3%	-2%
USD/CNH	6.8800	-0.11%	-0.4%	4%
10 YR YIELD- IN	6.89	(0.05)	(0.28)	(0.99)
10 YR YIELD- USA	2.06	0.01	(0.26)	(0.77)
GOLD (\$/Oz)	1,407	-0.2%	9%	12%
SILVER (\$/Oz)	15.24	-0.2%	4%	-5%
BRENT CRUDE (\$/Brl)	66.31	-0.3%	-5%	-15%
COPPER 3M (\$/Ton)	5988	-0.9%	1%	-11%
NIFTY	11893	0.39%	-0.26%	11%
HANGSENG	28508	1.01%	4.47%	1%
S&P 500	2914	-0.12%	3.10%	8%
INR 1M FWD	0.29	(0.09)	0.06	0.05
INR 2M FWD	0.58	(0.06)	0.11	0.10
INR 3M FWD	0.83	(0.09)	0.12	0.11
INR 6M FWD	1.67	(0.08)	0.26	0.21
INR 12M FWD	3.29	(0.09)	0.47	0.39
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	349	196	3,160	11,386
FII INVESTMENT- DEBT (\$ Mn)	(175)	1,037	4	1,272
TOTAL- (\$ Mn)	174	1,232	3,164	12,658

CURRENCY	ECONOMIC DATA
EUR	German Prelim CPI
USD	Final GDP

#### INDIA NEWSWIRE

1. US President Donald Trump on Thursday asked India to withdraw retaliatory tariffs that New Delhi imposed this month, calling the duties "unacceptable". India slapped higher tariffs on 28 US products.

#### FX VIEW

Traders had their hopes up yesterday, as USDINR broke under the 69.25 support and gunned for the key level of 69.00 on spot. This happened on the back of media outlets carrying a news that a trade deal between the U.S. and China is 90% done. Unfortunately the interview with U.S. Treasury Secretary Mnuchin was misquoted and instead of saying that it is 90% done, he actually said they "were about 90% of the way" there. In this case, grammar make all the difference because a deal that is close to being done is very different from an agreement that was almost done and abandoned near the end. Anyways, USDINR closed below 69.20 on spot. However, risk on burst in global equity and currencies did not last long. US stock closed in red overnight. However, oil prices rose sharply, after US inventories dropped sharply. Brent is now trading above 66 dollars a barrel. Iran-US tensions, weaker Dollar and risk on mood in equity markets are enough to keep pushing the oil higher.

G-20 meeting gets underway over the weekend and Sino-Chinese leaders will meet to strike a deal on trade. Consensus is for a truce for either an indefinite period of time, which is the best outcome for risk assets, or for a limited period of time. The worst outcome will be breakdown in talks, which will increase the risk of immediate tariffs from US on fresh list of Chinese goods.

RBI has been very active in the foreign exchange market, lapping up Dollar inflow, to prevent Rupee from appreciating against USD. They may have been buying Dollars in spot and swapping that into a forward contract, buy paying in the forward months. As a result of which the forward premium has hardened across the curve. The 12 month forward yield has touched highest levels since mid-2017, on account of the relentless demand from the central bank. Interestingly, keeping forwards higher can be self-defeating for RBI, if they are trying to support USDINR. Higher forward premium would encourage carry traders to short USD and be long INR and earn the roll yield, along with appreciation in the currency. At the same time, higher forward premium will discourage importers and encourage exporters to participate in the forward market. In a way, the actions of RBI may cause more shorting of USDINR, prompting RBI to buy even more and swap into forwards. A ridiculous circle.

Overnight in economic news, new orders for key U.S.-made capital goods rose more than expected in May and shipments increased solidly, suggesting some stabilizing in business spending on equipment after it fell early in the year. However, this data has not really altered the probability of Fed cutting rates next month. It has helped the USD a bit by capping the rebound in majors.

#### TECHNICAL VIEW & RUPEE CROSSES:

Primary downtrend remains intact in USDINR. A close above 70.20 on spot is needed to alter the bias. Fresh shorts can be done on a rise. In case of a breakdown below 69.00, then downside momentum can take prices towards 68.30/40 levels on spot, with an interim resting point around 68.80/85. We would look to short EURINR on rise with stopabove 80.00 handle on spot. On GBPINR structure remains bearish and hence sell on rise with stop above 90.00 on a closing basis. On JPYINR, we remain bullish.

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



Source: Bloomberg

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