INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.91	-0.30%	1.4%	8%
EUR/INR	80.98	-0.30%	0.3%	7%
GBP/INR	89.86	-0.60%	-0.8%	9%
JPY/INR	62.96	0.21%	1.8%	7%
EUR/USD	1.1633	0.09%	-0.2%	-3%
GBP/USD	1.2860	0.11%	-1.9%	-1%
USD/JPY	111.04	-0.18%	0.0%	2%
USD/CNH	6.7991	-0.10%	-0.3%	3%
10 YR YIELD- IN	7.87	(0.01)	0.09	1.34
10 YR YIELD- USA	2.82	0.01	(0.14)	0.65
GOLD ($/Oz)	1,207	0.2%	-1%	-8%
SILVER ($/Oz)	14.86	0.2%	-4%	-15%
BRENT CRUDE ($/Brl)	75.74	-0.1%	2%	45%
COPPER 3M ($/Ton)	6105	2.0%	-3%	-9%
NIFTY	11557	-0.22%	2.47%	17%
HANGSENG	28177	1.83%	-2.18%	1%
S&P 500	2875	0.62%	1.98%	18%
INR 1M FWD	0.27	0.00	0.02	0.03
INR 2M FWD	0.53	0.00	0.05	0.05
INR 3M FWD	0.78	(0.00)	0.03	0.05
INR 6M FWD	1.53	(0.00)	0.01	0.10
INR 12M FWD	3.04	0.01	0.06	0.25

	1 DAY	MTD	QTD	CTD
FII INVESMENT- EQ ($ Mn)	19	(141)	67	(555)
FII INVESMENT- DEBT ($ Mn)	(82)	471	575	(5,534)
TOTAL- ($ Mn)	(63)	330	642	(6,088)

FX VIEW

Over the past week, economic events in both sides of Atlantic, Fed chair speech, political drama in Washington and currency policy change by China caused wild gyrations in most currencies, including the Dollar Rupee. Dollar Rupee having flipped lower from just above 70.00, fell to 69.55 on the back of speculative selling and exporter hedging but the recovery in Rupee was short-lived, as fresh selling in EM currencies, led by Brazil and China, caused Dollar Rupee to rip higher towards 70.25 on spot, before succumbing to selling late on Friday. This the selling in dollar occurred on the back of news that China is going to alter to way it calculates the daily fix for the Yuan, including counter-cyclical factor. This measure is seen as a sign that Chinese central bank would lean against any attempt to weaken the Yuan too much. Last week, US President had pointed to Eurozone and China for weakening their currencies. This can be seen as China extending olive branch towards US President. However, from an economics standpoint, a weak Yuan has more negatives for the Chinese economy and the financial system, than positives. Therefore, China would not want to see Yuan weaken too much against the US Dollar.

In economic data, US economy threw mixed bad signals. Housing sector remains a soft patch for the US economy. Homes sales have come-off. Tight inventory of houses, especially at the entry level, coupled with rising mortgage rates and record high prices could be denting demand. With long rates in US staying stubbornly high, due to fear of more Fed hikes, US housing sector may see slow recovery ahead. Fed has already pointed to weak housing sector as a concern, along with trade tensions. Having said that, there is no reason to be alarmed, as rest of the economy is performing well. Durable goods orders shown strong growth in July, in core sector, indicating impressive growth in business spending. Wage growth is expected gradually recover as job market remains tight. All in all, US economy is humming enough for the Fed to hint in its latest minutes, at another hike in coming September. US 2 year is pricing 2 more hikes over rest of 2018 and possibly two more hikes in 2019. However, the interest rate expectation is unable to support the Dollar further. Last week, USD fell by over a percent against major currencies like Euro and GBP.

Just like the US delivered a mixed set of economic releases last week, Eurozone too had its share of mixed bag of reports. The highlight was the PMI releases for August. Manufacturing sector is feeling the strain of slowdown in global trade, weakness in Chinese economy and trade tensions. However, services picked up the slack, indicating that the domestic focused part of the Eurozone continues to perform well. For the next, German IFO and Eurozone CPI will be key data releases that can drive the Euro. Euro can also take cues from spat between EU and Italy, where the coalition is government is supposed to present the Budget to EC for approval in October. Italian government has already is fight with EU over the issue of accepting migrants. Till now, Euro has managed to ignore all bad news from Italy, but we cannot ignore these developments.

Next week, India is scheduled to report its April-June FY19 GDP, which could show a slowing of growth, from 7.7% in Q4FY18. Growth could slow to 7.3-7.5% on the back of weak external sector growth. However, GDP report will be released on next Friday, therefore, it will have not much impact on Rupee or bonds for the week. It will be the trend of the Asian currencies along with the trend in Euro, which will drive the Rupee. Dollar Rupee uptrend is showing signs of exhaustion above 70.00 level on spot. Hence, we would not be surprised if the pair corrects all the way down towards 69.40/50 level on spot. Intermediate uptrend is intact as long as the pair holds above 69.00 level on spot. Nevertheless, a sustained close below 69.00, would be bearish for Dollar Rupee.

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