

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.67	0.24%	-0.5%	3%
EUR/INR	77.91	0.13%	-0.1%	-1%
GBP/INR	88.31	0.11%	-2.5%	-2%
JPY/INR	63.60	0.17%	1.5%	3%
EUR/USD	1.1183	-0.10%	0.0%	-4%
GBP/USD	1.2674	-0.04%	-2.0%	-5%
USD/JPY	109.49	-0.02%	-2.0%	0%
USD/CNH	6.9183	0.14%	2.6%	8%
10 YR YIELD- IN	7.15	(0.02)	(0.27)	(0.59)
10 YR YIELD- USA	2.30	(0.02)	(0.19)	(0.63)
GOLD (\$/Oz)	1,283	-0.2%	0%	-1%
SILVER (\$/Oz)	14.55	-0.3%	-2%	-12%
BRENT CRUDE (\$/Brl)	70.03	-0.1%	-3%	-7%
COPPER 3M (\$/Ton)	5955	0.5%	-8%	-13%
NIFTY	11909	-0.13%	1.31%	11%
HANGSENG	27420	0.48%	-7.38%	-11%
S&P 500	2826	0.14%	-3.87%	4%
INR 1M FWD	0.23	(0.00)	(0.09)	(0.01)
INR 2M FWD	0.47	0.00	(0.09)	0.03
INR 3M FWD	0.71	0.00	(0.10)	0.02
INR 6M FWD	1.40	(0.01)	(0.16)	0.02
INR 12M FWD	2.83	0.00	(0.18)	0.09
	<b>1 DAY</b>	<b>MTD</b>	<b>QTD</b>	<b>CTD</b>
FII INVESTMENT- EQ (\$ Mn)	56	(96)	1,446	9,672
FII INVESTMENT- DEBT (\$ Mn)	216	(14)	(1,583)	(315)
TOTAL- (\$ Mn)	273	(109)	(138)	9,357

CURRENCY	ECONOMIC DATA
USD	Consumer Confidence

### FX VIEW

The elections are over and now all eyes on two events: formation of the cabinet of ministers and then the presentation of the Union Budget. As this is a re-election of the incumbent no major surprises in the Budget in expected but cabinet formation can always spring a few surprises. Government is very aware about the priorities. NBFC sector is in a precarious state and the real estate market has slowdown after more than a decade of lopsided growth. These two sectors are intricately connected and now threatens to destabilise the financial system. However, the fear of instability has not majorly impacted the flows into the Indian financial markets. The outflow from debt, was largely due to fear that the new Budget could slip on fiscal targets. If the New budget is able to maintain the balance between fiscal prudence and economic reflation, we can see direction of flows reverse.

Overnight US stock markets closed in the green. Asian equity markets are trading mixed. Asian currencies are marginally weaker against USD after fresh warning to China from the US President. Dollar Rupee may open marginally higher, around 69.60 levels on spot. Recently announced OMO is keeping the Indian bond market in good humour. 10 year yields can test 7.12/14% levels. Indian equity markets are on a roll, as flows remain robust from DIIs and FPIs. However, those flows are being absorbed by RBI. All in all, there is little reason for USDINR to trend at this point. For the past two months, the pair has been caged between 69.00 and 70.30 on spot. It may remain so, till a dominant theme emerges. One dominant factor and risk can be a quick devaluation of Yuan. If Dollar Yuan threatens 7.00, it can cause USDINR to break this two month old range on the upside. Therefore we need to be vigilant.

From Europe, there were some troubling news by way of rise of Eurosceptic parties in EU Parliamentary elections but that impact has been limited on markets. The reason markets have not reacted adversely to the EU election could be due to the fact that the central-right, center-left, pro-business Liberals and the Greens together, these pro-EU groups will have around 67% of seat, enough for outright majority, even though it's down from around 72% in 2014.

In Britain, last week, UK PM May decided to resign next month. Once she steps down, the new leader will have the work cut out. In the just concluded EU elections, from UK, Brexit party has emerged as the leader and that means all the talk of calling for another referendum goes up in smoke. No political party or UK PM would repeat the mistake of his or her predecessor, by calling for a referendum and see it gain support with an even bigger majority. UK has time till end of October to negotiate with EU and within itself to draw out the terms of withdrawal agreement or else a "no-deal Brexit" would become the only option. As of now markets are not pricing the risk of a no-deal. However, combo of political risk and Brexit risk would keep GBP under pressure.

### TECHNICAL VIEW & RUPEE CROSSES:

USDINR remains in a primary downtrend as the downtrending channel is intact. However, lack of momentum means traders would have to trade in and out or else, one can run a positional short, which can be rolled over, earning the carry. However, maintain stop loss above 70.50 levels on such positional trades. For this week, in USDINR we are inclined to sell on rise. Resistance zone is between 69.70/80 and 70.00/70.10 regions on a spot reference basis. Stop need to be placed above 70.10 on a closing basis. Support is around 69.30/40 and 69.15/20 levels on spot. One can look at selling OTM options to receive premium as the pair remains range bound.

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



Source: Bloomberg

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