

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.01	-0.09%	-1.0%	0%
EUR/INR	78.43	-0.18%	0.6%	-2%
GBP/INR	87.44	-0.36%	-0.9%	-3%
JPY/INR	64.09	-0.06%	0.6%	3%
EUR/USD	1.1365	-0.04%	1.8%	-2%
GBP/USD	1.2669	-0.04%	0.1%	-3%
USD/JPY	107.67	-0.11%	-1.6%	-3%
USD/CNH	6.8737	0.04%	-0.7%	3%
10 YR YIELD- IN	6.88	(0.01)	(0.27)	(1.05)
10 YR YIELD- USA	2.01	(0.00)	(0.26)	(0.83)
GOLD (\$/Oz)	1,419	0.7%	11%	14%
SILVER (\$/Oz)	15.30	0.3%	7%	-4%
BRENT CRUDE (\$/Brl)	66.28	-0.4%	-5%	-15%
COPPER 3M (\$/Ton)	5989	0.0%	1%	-11%
NIFTY	11839	-0.02%	-0.75%	12%
HANGSENG	28460	-0.56%	3.90%	0%
S&P 500	2925	0.38%	4.37%	8%
INR 1M FWD	0.26	(0.01)	0.04	0.03
INR 2M FWD	0.54	(0.03)	0.08	0.04
INR 3M FWD	0.81	(0.01)	0.11	0.09
INR 6M FWD	1.62	(0.04)	0.23	0.16
INR 12M FWD	3.25	(0.04)	0.43	0.33
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	29	225	3,189	11,415
FII INVESTMENT- DEBT (\$ Mn)	76	1,112	80	1,348
TOTAL- (\$ Mn)	105	1,337	3,268	12,763

CURRENCY	ECONOMIC DATA
EUR	Eurozone CPI
USD	Chicago PMI

INDIA NEWSWIRE

- India's financial system remains stable due to the improved resilience of the banking sector, but from a contagion risk perspective, if a large housing finance company fails, it would impact as much as the failure of a large bank, the RBI said in its bi-annual financial stability report.
- SEBI said that it will initiate action against mutual funds if there are defaults in cases involving loans against shares to company promoters. SEBI does not approve or recognise any standstill agreement.

FX VIEW

Global markets are eyeing the G-20 in Japan over the weekend. Cynsure remains the two, Mr. Xi and Mr. Trump. Four possible scenarios:

- Both the parties agree to a truce for a limited period of time, e.g, 90 days or 180 days. Over that period, the two countries agree to hammer out a deal- Base case scenario. Risk assets may rally and emerging market currencies may strengthen against the Dollar, viz., Rupee.
- A truce for an indefinite period of time: This is even more positive for risk assets and EM currencies.
- No truce agreed. Which means, US can go ahead and slap tariffs on remainder of \$300 billion of imports from China: Worst case scenario for risk assets. Equity tanks, commodities fall, credit spreads widen and EM currencies tank against the Dollar.
- A comprehensive deal with a commitment to remove existing tariffs: This is least likely but the most optimistic scenario for risk assets and EM currencies

If the outcome is favourable for EM assets, Dollar Rupee, which is already on the verge of breakdown on charts can flush out all the stops and test 68.30 and lower levels on spot. The forward premia on USDINR is a major deterrence against going long USD and short INR. Why would a speculator would like to pay the high premium and short INR and go long USD? It only makes sense, if there is risk of a very large depreciation in INR due to global factors, which would more than compensate for the holding cost of short INR. Therefore, if G-20 fails to trigger major risk-off in financial markets, speculators would utilise any spike in USDINR to short the pair. Exporters would be tempted to hedge on forwards and importers would stick to spot buying. Media reports suggest that bankers are pleading RBI to tweak the Large Exposure Framework norms (LEF). Bankers have complained to RBI that LEF norms are preventing banks from taking benefit from elevated forward premium as arbitrage window has opened up. The spread between where the forward premium should be based on India & US interest rate differential and where it is currently trading is at widest level in more than 5 years. Check the enclosed chart.

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 On JPYINR, we would wait for 63.00/63.50 zone on spot to enter fresh longs with stop on a closing basis below 63.00 on spot.

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



Due to LEF issues and RBI paying on forwards, USDINR forward premia is trading at a 5 year wide premium to its fair value based on interest rate differential between US and India.. Historically this wide levels in spread have lead to DOWNWARD PRESSURE ON USDINR, check the marked areas on the chart

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