

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	69.79	0.15%	-0.3%	3%
EUR/INR	77.96	0.03%	0.0%	0%
GBP/INR	88.38	0.14%	-2.4%	-2%
JPY/INR	63.85	0.22%	1.9%	2%
EUR/USD	1.1169	0.08%	-0.2%	-3%
GBP/USD	1.2665	0.09%	-2.1%	-4%
USD/JPY	109.28	-0.09%	-2.2%	0%
USD/CNH	6.9260	0.06%	2.7%	7%
10 YR YIELD- IN	7.13	(0.02)	(0.28)	(0.63)
10 YR YIELD- USA	2.24	(0.03)	(0.29)	(0.54)
GOLD (\$/Oz)	1,282	0.2%	0%	-1%
SILVER (\$/Oz)	14.40	0.3%	-3%	-12%
BRENT CRUDE (\$/Brl)	69.59	-0.7%	-3%	-8%
COPPER 3M (\$/Ton)	5960	0.1%	-7%	-13%
NIFTY	11920	-0.07%	1.41%	12%
HANGSENG	27349	-0.15%	-8.51%	-10%
S&P 500	2802	-0.84%	-4.78%	4%
INR 1M FWD	0.21	(0.01)	(0.10)	(0.02)
INR 2M FWD	0.46	(0.01)	(0.10)	0.02
INR 3M FWD	0.69	(0.01)	(0.12)	0.00
INR 6M FWD	1.38	(0.01)	(0.18)	(0.00)
INR 12M FWD	2.82	0.00	(0.19)	0.11
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	423	327	1,868	10,094
FII INVESTMENT- DEBT (\$ Mn)	157	143	(1,427)	(158)
TOTAL- (\$ Mn)	579	470	441	9,936

CURRENCY	ECONOMIC DATA
EUR	German Buba President Weidmann Speaks

FX VIEW

Rupee is dead as a dodo. USDINR has been chopping between 69.40 and 70.40 for last 2 months. The longer this range trading continues, the sharper shall be the range breakout move. Interestingly, on long term charts, multiple failure to break below the 68.00/69.00 zone is positive development for the Dollar bulls. The simplicity of charts makes it immune to storytelling. A technical analyst can point towards a chart and its formations and structure and does not have to explain why it is happening. For USDINR to build a base between 68.00 and 69.00 levels (as long as 68.00 holds we have to accept that as the dominant play), where it formed multiple tops between 2013 and 2017, is a classic case of change of polarity, a resistance is now the support. The stronger the base, bigger the race.

What can cause the Rupee to depreciate, if it were to happen?

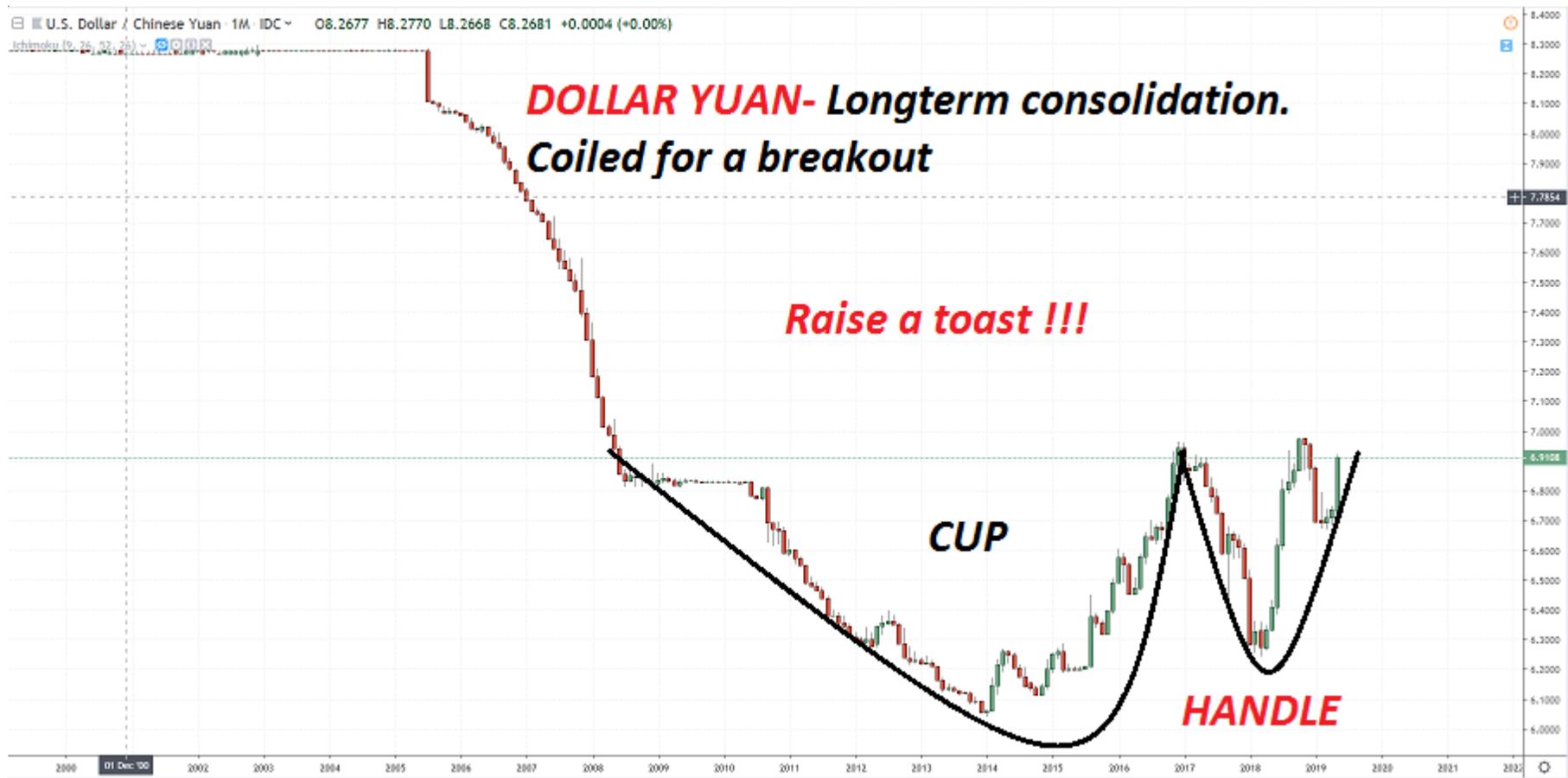
Ans: Domestic factors are favourable to the Rupee. Economy is in a spot of bother, but investors are willing to give it money, time and space to recover. Financial system has issues, especially the shadow banking sector but investors are not showing any signs of panic. Therefore, as of now, both economy and financial sectors are causing much of an outflow, hence not negative for INR. Political stability is a major attractive factor and hence Rupee positive. Government is looking at expediting reforms and deepening the already enacted ones. But there is a developing strain, it is water crises. Pre-monsoon rains have been deficient and the monsoon is delayed. More than 40 per cent of the area of the country may face drought, according to the Drought Early Warning System run by the IIT, Gandhinagar. Of this, nearly half the area is looking at severe to exceptional drought. Is drought or water crises a market moving factor, has not been in the recent past but it needs monitoring.

Even though domestic factors are net positive for Rupee. The risk can emanate from global markets. Global economic data flow has been mixed with US economy still outperforming EM and Europe. Fed is on pause and the Fed Fund futures market is pricing a rate cut before the year end. Market is pricing an economic/financial accident around the globe. If the current global economic trajectory holds, there is little need for Fed to lower rates. In the recent history, when Fed was forced to lower rates, even though the US economy was not in recession, was during the late 90s, when EM crises prompted the action. The financial markets could be pricing another EM/EU crises, which could be a mix of economic, financial and political. It could be triggered and accentuated by the US-Sino and US-EU trade war. Therefore, whatever be it, Dollar is still the king. Unlike 2014-15, when Dollar was King of good times, as US growth was outperforming world economic growth but overall global growth was robust, this time Dollar could be a king of bad times, when it's a rising distress call around the world. USDCNH and its 7 handle is so well talked about. Pressure is rising for the pair to break past 7 handle. If or when it does, it may trigger panic across EM and INR will depreciate as well.

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: TradingView

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