

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	70.99	-0.19%	1.7%	10%
EUR/INR	81.68	0.47%	2.1%	3%
GBP/INR	93.19	-0.02%	4.4%	4%
JPY/INR	65.31	0.12%	2.5%	10%
EUR/USD	1.1503	0.20%	0.3%	-7%
GBP/USD	1.3126	0.08%	2.9%	-8%
USD/JPY	108.81	-0.21%	-0.8%	0%
USD/CNH	6.7121	0.00%	-2.4%	6%
10 YR YIELD- IN	7.31	(0.02)	(0.06)	(0.12)
10 YR YIELD- USA	2.68	0.00	(0.00)	(0.03)
GOLD (\$/Oz)	1,320	0.0%	3%	-2%
SILVER (\$/Oz)	16.03	-0.2%	3%	-8%
BRENT CRUDE (\$/Brl)	62.24	1.0%	16%	-10%
COPPER 3M (\$/Ton)	6136	1.4%	2%	-13%
NIFTY	10689	0.35%	-1.60%	-3%
HANGSENG	27977	1.21%	8.25%	-15%
S&P 500	2681	1.55%	6.95%	-5%
INR 1M FWD	0.23	0.01	(0.02)	(0.01)
INR 2M FWD	0.47	(0.01)	0.01	0.00
INR 3M FWD	0.76	0.01	0.07	0.01
INR 6M FWD	1.47	0.00	0.06	0.03
INR 12M FWD	2.89	(0.02)	0.12	0.07
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(39)	(496)	(496)	(496)
FII INVESTMENT- DEBT (\$ Mn)	10	(293)	(293)	(293)
TOTAL- (\$ Mn)	(29)	(789)	(789)	(789)

CURRENCY	ECONOMIC DATA
USD	Chicago PMI

WORLD NEWSWIRE

- China's official manufacturing PMI came in at 49.5 for January, indicating second straight month of contraction. Meanwhile, China's services PMI for January came in at 54.7 — better than the 53.8 reported in the previous month. Services fails to capture in despondency amongst chinese consumers. Credibility of data points from China has been issue and the ongoing divergence between reality and data underscores the point

FX VIEW

Fed will pause and rethink. This is not the first time since policy normalisation began in 2014, that Fed has taken a step back to assess the economy and markets before forging ahead with more tightening. Economic momentum is weak, though absolute strength in the labour market is strong. Global economic growth has slowed as growth in Europe and EMs have lost steam. Financial markets are fragile. Treasury yield curve has flattened dangerously towards an inversion. In such a scenario, it was expected that US FOMC will signal a pause in rate hike campaign. According to the FOMC statement, members said that in light of global economic and financial developments and muted inflation pressures, they would be patient as they determine what future adjustments to interest rates will be appropriate. At the end of the day, the market had not been looking for a hike this year and that view was validated by Powell's guidance. When the next set of dot plots is released, we may even see a downgraded forecast that more accurately reflects the market's expectations for no rate hikes this year.

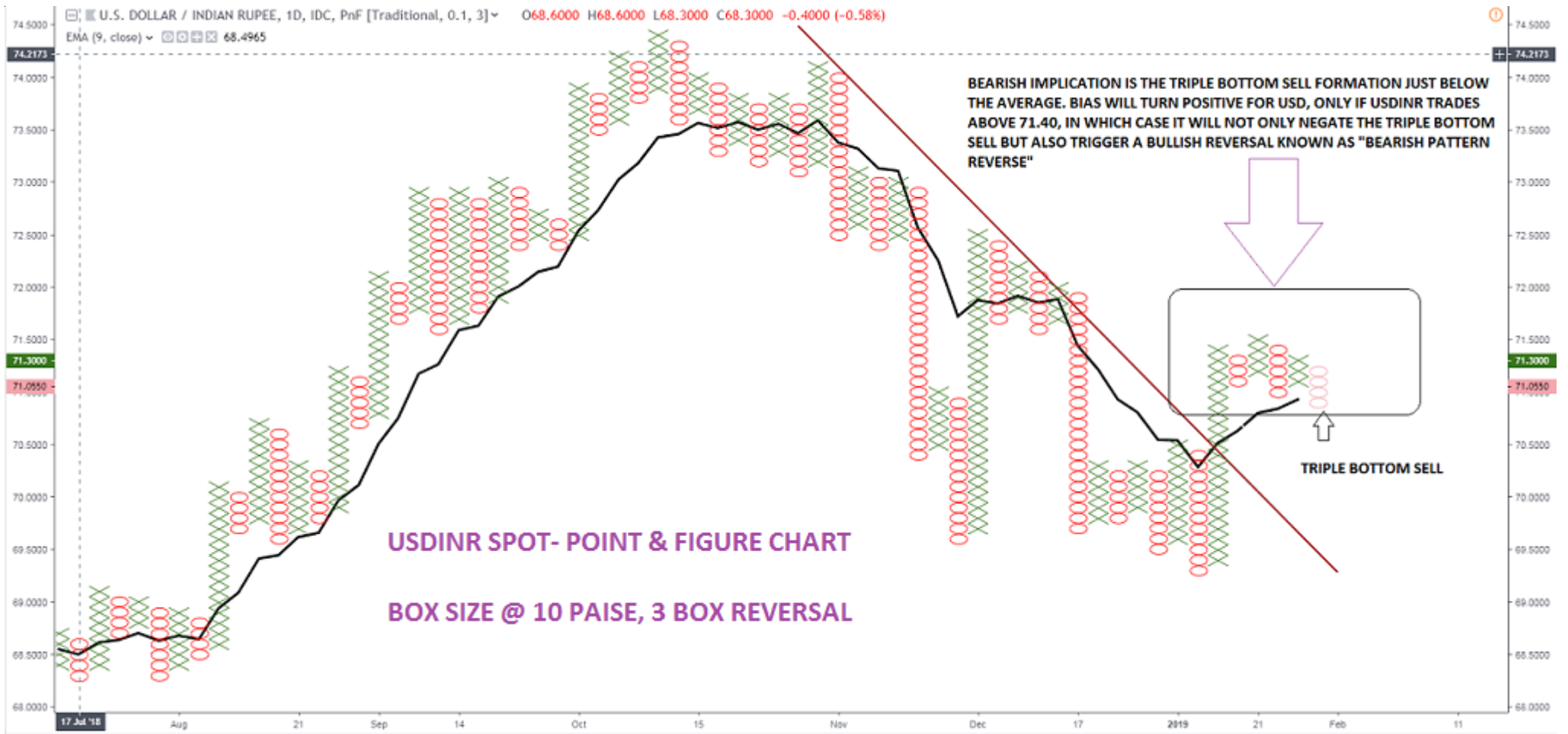
Market was anticipating a very dovish hint on rates from Fed but what traders wanted to hear was on its QT program. FOMC clarified their thinking on the current plan to reduce the size of its balance sheet. They said that It came about after "extensive deliberations and thorough review of experience to date." "The Committee continues to view changes in the target range for the federal funds rate as its primary means for adjusting the stance of monetary policy," the statement said. Though the Fed added that it "is prepared to adjust any of the details for completing balance sheet normalization in light of economic and financial conditions." If the economy turns south, the Fed is signalling that changes to its balance sheet plans could become a policy tool, but that right now it is not a primary part of its program.

Therefore, for now a pause from Fed and rethink on QT would be negative for the Dollar. We favour Long Euro as our favoured currency to play short Dollar, than Rupee. Rupee would have contend with domestic risks, rising oil prices and uncertainty of Sino-US trade talks. There is an angle which one needs to consider. A dovish Fed may have boosted the arsenal of Trump in the trade war with China. A Powel put may keep US stock market supported and credit spread compressed, taking the need for Trump to concede on trade talk. China has much more to lose in trade war than America, for reasons which we have discussed in detail in the past. Therefore, we would not be surprised if America ups the ante now and makes it difficult for China to wriggle out. Such a development would be negative for EMs. Keep an eye

TECHNICAL VIEW:

Technically, USDINR is a buy on dips as long as above 70.85/90 levels on spot. Resistance is around 71.25/30 and 71.40/45 on spot. Nevertheless, if it breaks down below 70.80, then it can decline towards 70.50. However, closer to 70.00, we expect demand for Dollars from RBI and also FPIs and large speculators to surface and hence, downside appears limited. EurINR is our favoured currency pair to buy on dips. GBPINR remains mired by the Brexit uncertainty. If risk aversion returns, we would also be buying JPYINR due to its carry trade angle.

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



Source: TradingView

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