

## Key Market Theme

- Indian rupee likely to scale higher amid modest ease in global markets sentiment after August turmoil.
- Trump delays to levy higher tariff worth \$250bn worth of Chinese imports as a gesture of goodwill.
- Options markets are pricing in a 0.15 percentage point cut in the deposit rate from ECB.

## Macro Analysis

### INDIA

Indian rupee likely to scale higher amid modest ease in global markets sentiment after August turmoil - Trump delays to levy higher tariff worth \$250bn worth of Chinese imports as a gesture of goodwill. Domestic unit's move is largely driven by Chinese renminbi - sharply recovered from its recent lows after Policy makers cut the RRR to boost aggregate domestic demand. Later in the day, Indian CPI likely to inch-up to 3.4% in August partly driven by gradual rise in perishable and vegetables due to supply constraints. The OIS (Overnight-Index-Swap) curve is heading for a substantial correction amid expectation of a aggressive rate-cuts from RBI. G-Secs bonds and rupee likely to get benefit from the fall in the OIS curve. For the day, rupee may find stiff resistance at higher levels ahead of CPI release.

### US

Risk-on move continue in the markets. Yesterday Bloomberg revealed that Trump wants to ease tensions with Iran – Oil prices fell sharply on fear of Iranian supplies and further to accentuate the risk-on mode Trump has postponed the introduction of higher tariffs on Chinese goods until October 15 on the request of China's vice premier and as a "gesture of goodwill". Mr Trump said in two tweets on Wednesday evening that the increase in tariffs on \$250bn worth of Chinese goods originally scheduled for October 1 would be pushed back as the original date coincides with the 70th anniversary of the People's Republic of China. He said that vice-premier Liu He had made the request to delay that date from which the higher tariffs would be imposed. Tariffs on Chinese imports were set to increase to 30 per cent from 25 per cent

### EUROPE & UK

ECB will set the stage today. Amid steep contraction in growth in euro zone, ECB likely to cut interest-rate cut and supportive bond buying will lever the growth engine. But levels of conviction that ECB president Mario Draghi will unleash a heavy-hitting package of measures are so high, that any sense the central bank has not gone far enough could be brutal. Options markets are pricing in a 0.15 percentage point cut in the deposit rate, which currently stands at -0.4 per cent. A re-launch of the bank's asset-purchasing program is also seen as a highly likely move, while tweaks to the ECB's forward guidance are also a possibility

FX Majors	CMP	1W	1M
EURUSD	1.1015	-0.19%	-0.84%
GBPUSD	1.2330	-0.01%	2.04%
USDJPY	108.03	1.02%	1.81%

FX Cross INR	CMP	1W	1M
USDINR	71.53	-0.56%	0.29%
EURINR	78.78	-0.76%	-0.93%
GBPINR	88.21	-0.54%	2.43%
JPYINR	66.20	-1.57%	-1.50%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.66	9.00	17.60
US	1.76	25.92	1.15
Germany	-0.56	13.79	1.19
UK	0.64	15.86	15.17

Flows	DTD	WTD	MTD
FII's (INR Crs)	266.89	-3177.9	-5194.10

Note: 1W refers to 1 week change from CMP | 1M refers to 1 month change from CMP

## Economic Data

	IST	Previous	Median	SMC's Forecast
EUR ECB Main Refinancing Rate	17:15	0.00%	0.00%	0.00%
EUR ECB Press Conference	18:00	-	-	-
USD US CPI m/m	18:00	0.30%	0.10%	0.20%

## Pivot Levels

Currency	Pivot	S1	S2	S3	R1	R2	R3
USD/INR (SEP)	71.86	71.68	71.55	71.36	71.99	72.17	72.30
EUR/INR (SEP)	79.32	78.94	78.73	78.35	79.53	79.91	80.12
JPY/INR (SEP)	66.78	66.56	66.38	66.17	66.96	67.17	67.35
GBP/INR (SEP)	88.80	88.51	88.30	88.00	89.02	89.31	89.53

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