

Key Market Theme

- Indian Rupee likely to advance further ahead of RBI policy.
- Chinese equities plunged after new tariffs imposed from US.
- BoE kept bank rate unchanged at 0.75 percent.

Macro Analysis

FX Majors	CMP	1W	1M
EURUSD	1.1078	-0.45%	-1.32%
GBPUSD	1.2101	-2.27%	-3.39%
USDJPY	107.02	-1.52%	-1.34%

FX Cross INR	CMP	1W	1M
USDINR	69.02	0.20%	0.83%
EURINR	76.45	-0.25%	-0.52%
GBPINR	83.55	-2.04%	-2.57%
JPYINR	64.49	1.74%	2.20%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.43	4.30	-45.70
US	1.88	-17.76	-12.65
Germany	-0.45	-12.71	-12.39
UK	0.60	-14.12	-23.83

Flows	DTD	WTD	MTD
FII's (INR Crs)	-1056.55	-5405.89	-17500.15

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

INDIA

Indian Rupee likely to open on a flat-to-negative-note amid fresh trade tariffs of 10 percent imposed by US on remaining USD 300 billion of imports from China. We pointed earlier the most probability for the failures of the trade truce between the two largest economies. Meanwhile US yields plunged sharply after Trump's official announcement for the same. Admittedly, Indian rupee may not suffer much this time as domestic rate cut is outweighing any negative news amid rate cut expectations. Presently the spread between repo and benchmark yield stands at 65 bps which is the lowest in two years. Usually lower the gap, higher the confidence for interest rate projections to drift lower. We still arguing 25 bps cut from RBI this August will be the terminal cut for this year.

US

The Chinese stock market opened sharply lower again on the news that US raised 10% tariffs charged on the remaining \$300bn of Chinese import goods. But this was not much of a surprise given that China had already pledged to retaliate following President Donald Trump's move to increase US tariffs earlier. Moreover, with total goods export to China worth only 0.6% of US GDP, higher tariffs alone are unlikely to have much impact on the economy. But the move will risk provoking the ire of Mr. Trump, who had warned China earlier not to retaliate to the latest US measures. That triggered the prospect of US tariffs being imposed on the remaining USD 300 billion of Chinese imports. We still think dollar demand will remain at bid not on the account of trade war but mostly driven by global slowdown.

EUROPE & UK

The Bank of England kept its bank rate unchanged at 0.75% on Thursday. However, with the economic slowdown and brexit chaos proved the weakness in sterling. Additionally, BoE slashed its forecasts for growth this year and next to 1.3 percent which sounds obvious amid brexit turmoil.

Meanwhile Trump to make announcement on EU trade around 11 AM IST. Single-bloc economy already facing heat amid global slowdown and further trade tension will bring more chaos in euro-zone.

Economic Data

	IST	Previous	Median	SMC's Forecast
USD US Average Hourly Earnings m/m	18:00	0.20%	0.20%	0.20%
USD US Non-Farm Employment Change	18:00	224K	164K	186K
-	-	-	-	-
-	-	-	-	-

Pivot Levels

Currency	Pivot	S1	S2	S3	R1	R2	R3
USD/INR (AUG)	69.27	69.17	69.09	68.98	69.35	69.45	69.53
EUR/INR (AUG)	76.66	76.48	76.37	76.19	76.77	76.95	77.06
JPY/INR (AUG)	63.61	63.51	63.36	63.25	63.76	63.87	64.01
GBP/INR (AUG)	84.04	83.82	83.62	83.40	84.23	84.45	84.65

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