

Key Market Theme

- RBI to set to cut rate in its bi-monthly monetary policy.
- Donald Trump has urged China to investigate Joe Biden.
- Boris Johnson is preparing to make more concessions to Brussels to secure a Brexit deal.

Macro Analysis

INDIA

The Reserve Bank of India can comfortably continue snipping away at interest rates in the foreseeable future, given that inflation is structurally low and economic growth has been languishing. With economic growth hit hard by a fall in consumer demand, Indian equity markets can offer little solace to foreign investors. This in turn has shifted the focus back to the debt market. In Jul-Sep, foreign investors net sold Indian equities worth \$3.2 bln, and bought bonds worth \$2.5 bln, which means that debt flows have played a major role in bolstering the rupee all this while. The bigger threat to the rupee stems from the fact that a fall in interest rates makes currencies more vulnerable to speculation. As of now, there are no immediate dangers surrounding the rupee, which has allowed the RBI to carry on its easing cycle so far. But the central bank can let its guard down just so much.

US

Donald Trump has urged China to investigate Joe Biden, the former vice-president, blatantly encouraging a foreign nation to interfere in the 2020 presidential election even as Democrats pursue an impeachment inquiry into similar requests to Ukraine. The call for China to investigate Mr Biden and his son Hunter comes as US negotiators continue talks with Beijing on ending the trade war between the two countries. Mr Trump has asked several world leaders for help — either to investigate the Bidens or to assist a review of the Russia investigation that he frequently called a “witch hunt”. Additionally, the US services sector grew at its slowest pace in three years during September, adding to a recent string of weak economic data this week and further spurring a sharp sell-off for global stocks and a rally in government bonds.

EUROPE & UK

Boris Johnson is preparing to make more concessions to Brussels to secure a Brexit deal, distancing himself from previous assertions by Downing Street that his plan to resolve the vexed Irish border question was his “final offer”. In a House of Commons statement on Thursday that was remarkable for its consensual style, the prime minister said he had made “a genuine attempt to bridge the chasm” between the UK and EU to secure a withdrawal agreement.

FX Majors	CMP	1W	1M
EURUSD	1.0980	0.33%	-0.48%
GBPUSD	1.2347	0.46%	0.50%
USDJPY	106.77	-1.07%	-0.14%

FX Cross INR	CMP	1W	1M
USDINR	71.03	0.74%	-0.91%
EURINR	77.98	1.03%	-1.37%
GBPINR	87.79	1.14%	-0.32%
JPYINR	66.52	1.83%	-0.77%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.61	-18.50	3.90
US	1.54	-18.32	3.98
Germany	-0.59	-6.99	11.00
UK	0.47	-15.39	-0.52

Flows	DTD	WTD	MTD
FII's (INR Crs)	-810.72	-2109.28	-2109.28

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
USD US Average Hourly Earnings m/m	18:00	0.4%	0.3%	0.3%
USD US Non-Farm Employment Change	18:00	130K	140K	130K
USD US FED Chair Powell Speaks	23:30	-	-	-

Pivot Levels

Currency	Pivot	S1	S2	S3	R1	R2	R3
USD/INR (OCT)	71.21	70.90	70.73	70.41	71.39	71.70	71.87
EUR/INR (OCT)	78.19	77.88	77.67	77.35	78.40	78.71	78.92
JPY/INR (OCT)	66.57	66.31	66.16	65.90	66.73	66.99	67.14
GBP/INR (OCT)	87.63	87.21	86.93	86.50	87.91	88.34	88.62

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