

Key Market Theme

- Indian Rupee will get cushion after exit of RBI's Deputy Governor Viral Acharya
- Chinese state media officially confirmed Xi's participation in G20
- Sterling rally was driven by short-covering

Macro Analysis

FX Majors	CMP	1W	1M
EURUSD	1.1384	1.50%	1.72%
GBPUSD	1.2753	1.75%	0.58%
USDJPY	107.36	-1.09%	-1.96%

FX Cross INR	CMP	1W	1M
USDINR	69.61	-0.39%	0.16%
EURINR	79.25	1.10%	1.87%
GBPINR	88.78	1.37%	0.83%
JPYINR	64.84	0.73%	2.16%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.88	-8.70	-35.40
US	2.05	-2.65	-27.32
Germany	-0.28	-2.79	-18.05
UK	0.85	2.94	-18.97

Flows	DTD	WTD	MTD
FII's (INR Crs)	-730.58	-1565.58	-1645.34

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

INDIA

Indian Rupee will start-off the week on a cautious note. US-Iran tensions escalated the Oil prices while rise in US Treasury Yields on Friday likely to weakens overseas investors demand for higher yielding assets such as Indian bonds. Surprisingly, resignation of deputy governor Mr. Viral Acharya - (often voted against cutting interest rate) in charge of monetary policy will lead RBI more comfort to keep the accommodative stance comfortably. Deputy Governor is scheduled to leave before the end of July.

US

Riskier assets were off to a cautious start on Monday as investors pinned their hopes on any signs of ease in Sino-U.S. trade negotiations while oil prices firmed on worries over heightened tensions between the United States and Iran.

The Chinese state-run news agency released on Sunday China's President Xi Jinping will attend the G20 summit in Japan this week, making the first official confirmation of his attendance at a gathering where he is expected to meet U.S. President Donald Trump.

Meanwhile Washington will impose new sanctions on Tehran on Monday after three days when Trump aborted strike in Iran in a retaliation move for its shooting down of an American Drone.

EUROPE & UK

Despite latest jump in sterling in response to Dollar weakness, the currency has fallen substantially against the US dollar so far this year. With Brexit uncertainty likely to linger and the greenback set to benefit further from ongoing trade tensions and stresses in the financial markets, we expect sterling to continue to struggle and end the year lower. Despite the many twists and turns around Brexit, sterling rose by 2.2% against the dollar and 3.2% on a trade-weighted basis in Q1 2019. Some of that may be explained by the recovery in global risk-appetite, and the fact that interest rate expectations in the UK fell by less than in many other developed economies. But another key factor was that investors already had large outstanding short positions against the currency. This meant that even as the political drama played out in Westminster, there was limited scope to add to them. As the risk of a no-deal exit on March 29th receded, they were unwound.

Economic Data

	IST	Previous	Median	SMC's Forecast
-	-	-	-	-
-	-	-	-	-

Pivots

Currency	Previous Close	S1	S2	R1	R2
USD/INR (JUNE)	69.61	69.51	69.34	69.72	69.90
EUR/INR (JUNE)	78.76	78.54	78.36	78.77	78.95
JPY/INR (JUNE)	64.77	64.60	64.43	64.80	64.97
GBP/INR (JUNE)	88.10	87.89	87.70	88.13	88.32

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