

Key Market Theme

- Sour in Mini-Trade Deal pushed rupee back to three weeks low.
- Risk-on-off continues amid development in trade talks between US & China.
- Gyration in Sterling continue ahead of EU summit on 17th October.

Macro Analysis

FX Majors	CMP	1W	1M
EURUSD	1.1030	0.67%	-0.39%
GBPUSD	1.2610	3.21%	0.89%
USDJPY	108.30	1.14%	0.17%

FX Cross INR	CMP	1W	1M
USDINR	71.25	0.04%	-0.15%
EURINR	78.58	0.78%	-0.55%
GBPINR	89.52	2.99%	0.37%
JPYINR	65.78	-1.10%	-0.33%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.48	-16.80	-18.20
US	1.69	16.10	-20.77
Germany	-0.45	13.17	-0.87
UK	0.64	19.52	-12.17

Flows	DTD	WTD	MTD
FII's (INR Crs)	895.63	402.81	-2389.40

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

India

Indian rupee is getting hit amid sentiment soured in US - China trade negotiations. As we mentioned earlier, the partial deal is lacking with a clear substance of conviction and highly misguided. Yesterday rupee ended the lowest level in three weeks after Bloomberg reported that China wants more talks before signing the deal. The deterioration in rupee scaled-up further after RBI strong intervention around 70.80 levels along with dollar buying from Oil Marketing Companies, not letting the domestic unit to rise beyond.

Further sentiment was hit after Industrial Production contracted to 1.1 percent in August (released last Friday). Additionally headline CPI zoomed to 3.99 percent in September versus 3.28 percent in August. Although domestic headline inflation printed the highest in 14 months which may not prevent RBI to ease the policy rate further.

For the day, rupee will take further cues from the development of trade talks between US-China which is the only parameter to judge the direction in USDINR for the time being.

US

Risk-on-off continues amid development in trade talks between US & China. Overnight, US equities ended red amid uncertainty over trade talks between Washington and Beijing. US Treasury Secretary Steven Mnuchin warned that a new round of tariffs set for December 15 on \$156bn of Chinese goods would be triggered if Beijing failed to seal the limited deal tentatively struck with Donald Trump last week, underlining the fragility of that truce. Additionally Donald Trump moved on Monday to punish Turkey for its military advance into Syria, imposing sanctions on several Turkish ministers and departments and saying he would double tariffs on the country's steel exports to 50 per cent.

Europe & UK

Gyrations in Sterling remains high after Boris Johnson's hopes of securing a Brexit deal at a European summit this week appeared doomed on Monday night after Antti Rinne, the Finnish prime minister and holder of the rotating EU presidency, said that "more time" was needed. Expectation is growing that negotiations in Brussels on Mr Johnson's revised plan will extend beyond this week's summit, which starts on Thursday, with the possibility of another emergency Brexit summit the following week.

Economic Data

	IST	Previous	Median	SMC's Forecast
GBP BOE Gov Carney Speaks	14:00	-	-	-
GBP UK Average Earnings Index 3m/y	14:00	4.0%	4.0%	4.0%
EUR German ZEW Economic Sentiment	14:30	-22.5	-27	-24

Pivot Levels

Currency	Pivot	S1	S2	S3	R1	R2	R3
USD/INR (OCT)	71.15	70.97	70.66	70.48	71.47	71.65	71.96
EUR/INR (OCT)	78.56	78.35	78.01	77.80	78.89	79.10	79.44
JPY/INR (OCT)	65.81	65.60	65.27	65.06	66.14	66.36	66.69
GBP/INR (OCT)	89.51	89.23	88.96	88.68	89.78	90.07	90.33

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