

## Key Market Theme

- Capital outflows in July warranted Rupee to gain further.
- US Advanced estimates of growth for second quarter beat the estimates.
- Investors likely to re-build short positions in sterling amid brexit uncertainties.

## Macro Analysis

### INDIA

Capital outflows from Indian financial markets are the underlying headline for the entire month of July. Inevitably the trigger came from FIIs to reverse their inflows amid rate-cut of 50 bps in July from FOMC due to meet on 31st July got faded - "higher US yield tends to create outflows in emerging markets" and domestic headwind came after Indian budget where raising super-rich tax creates FIIs to pull-out funds as more than 40 percent of same entity come under such categories. From 1st July to 26th July, outflows was recorded to the tune of Rs 14,382.59 crores in equities and debt witnessed inflows of Rs 10,624.15 crores which implied net outflows of Rs 3,758.44 crores. Meanwhile market participants are also looking ahead to the latest round of trade talks between senior US and Chinese officials scheduled to take place in Shanghai beginning on Tuesday.

Indian Rupee likely to trade on a negative note ahead of Federal Reserve's monetary policy

### US

Advanced estimates of US GDP growth for second quarter beat the estimates, however we still think it will slow markedly before the end of 2019, as prior monetary policy tightening bites and the fiscal stimulus fade. What's more, some factors that boosted economic activity in the first and second quarter are likely to be reversed, and we anticipate that export growth will slow, as global demand remains muted and the dollar remains strong.

As a result, we think that the Fed will cut rates by 75bp before the middle of 2020. In contrast, investors anticipate fewer than two cuts.

### EUROPE & UK

As the Brexit uncertainties approaches, we think that investors will rebuild short positions in sterling, putting renewed downward pressure on the currency. In the meantime, we doubt that there will be an early end to the US/China trade war. Even the US and China do resolve their dispute, though, we think that the greenback will benefit later this year from more safe-haven flows, as the stock market in the US tumbles in response to a sharp slowdown in economic growth there.

FX Majors	CMP	1W	1M
EURUSD	1.1132	-0.70%	-1.36%
GBPUSD	1.2367	-0.87%	-2.14%
USDJPY	108.55	0.63%	0.09%

FX Cross INR	CMP	1W	1M
USDINR	68.91	-0.01%	0.06%
EURINR	76.71	-0.75%	-1.36%
GBPINR	85.24	-0.89%	-2.08%
JPYINR	63.49	-0.64%	0.05%

Global Yields	10Y-Yield	1W(bps)	1M (bps)
India	6.53	15.70	-34.30
US	2.06	0.63	5.74
Germany	-0.37	-16.35	-9.16
UK	0.68	-14.87	15.71

Flows	DTD	WTD	MTD
FIIs (INR Crs)	-1503.26	-7548.5	-14024.05

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
-	-	-	-	-
-	-	-	-	-

## Pivot Levels

Currency	Pivot	S1	S2	S3	R1	R2	R3
USD/INR (AUG)	69.04	69.00	68.88	68.84	69.16	69.20	69.32
EUR/INR (AUG)	76.97	76.94	76.71	76.68	77.20	77.23	77.46
JPY/INR (AUG)	63.81	63.69	63.63	63.51	63.87	63.99	64.05
GBP/INR (AUG)	86.13	85.95	85.81	85.63	86.28	86.46	86.60

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