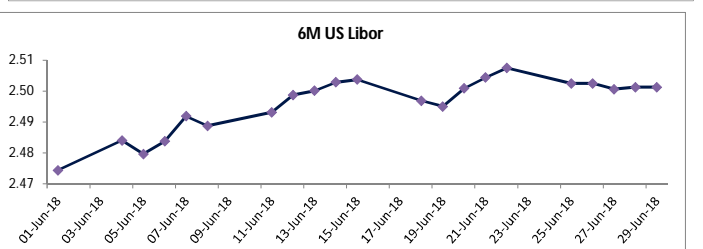
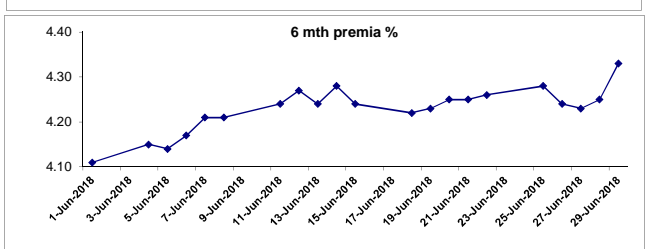
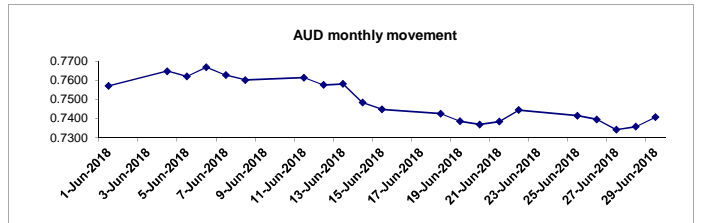
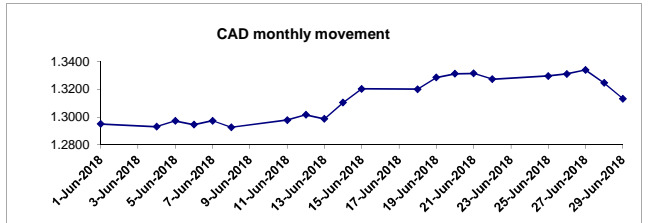
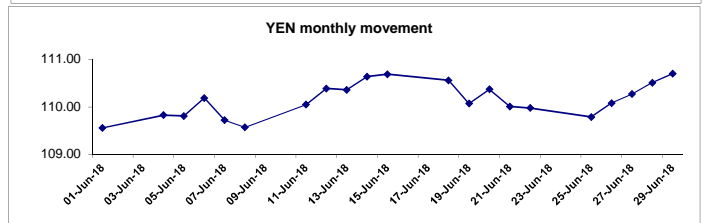
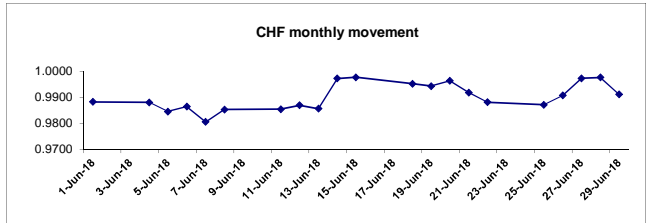
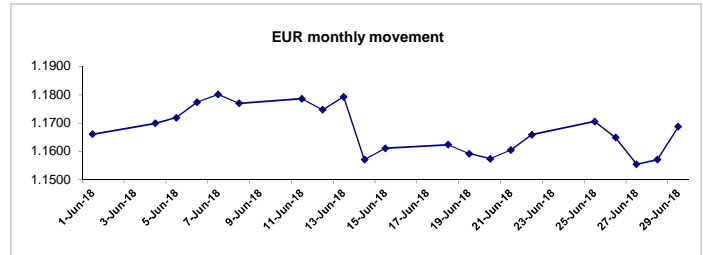
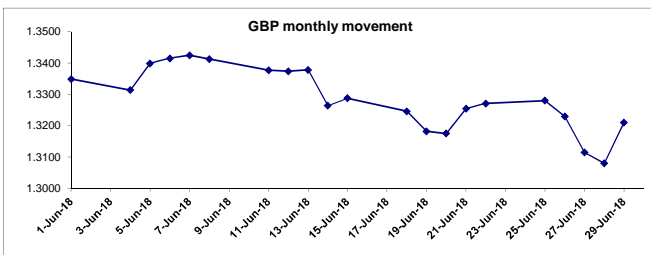
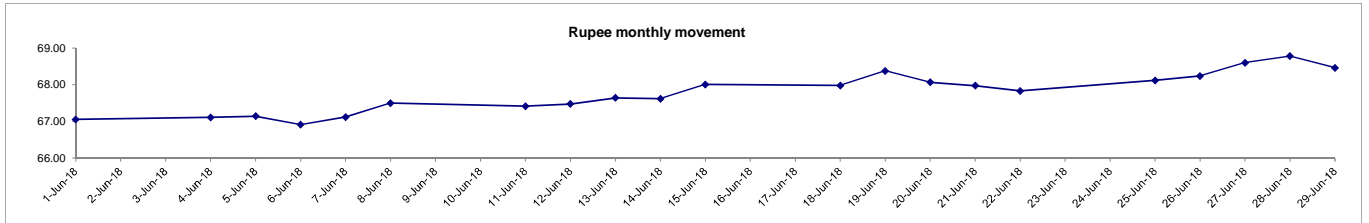




Currency movement data for the month of Jun-18

Date	USD INR		EURO		GBP		YEN		CHF		AUD		CAD	
	Bid	Ask	Vs. \$	Vs. Re	Vs. \$	Vs. Re	Vs. \$	Vs. Re	Vs. \$	Vs. Re	Vs. \$	Vs. Re	Vs. \$	Vs. Re
01-Jun-18	67.06	67.07	1.1661	78.20	1.3349	89.53	109.56	61.21	0.9883	67.86	0.7570	50.77	1.2951	51.78
04-Jun-18	67.11	67.12	1.1699	78.52	1.3314	89.36	109.83	61.11	0.9881	67.93	0.7648	51.33	1.2931	51.91
05-Jun-18	67.15	67.16	1.1719	78.70	1.3399	89.98	109.81	61.16	0.9846	68.21	0.7620	51.17	1.2973	51.77
06-Jun-18	66.92	66.93	1.1774	78.80	1.3415	89.78	110.19	60.74	0.9865	67.84	0.7668	51.32	1.2946	51.70
07-Jun-18	67.12	67.13	1.1801	79.22	1.3425	90.12	109.72	61.18	0.9806	68.46	0.7627	51.20	1.2974	51.74
08-Jun-18	67.50	67.51	1.1770	79.46	1.3413	90.55	109.57	61.61	0.9854	68.51	0.7601	51.31	1.2928	52.22
11-Jun-18	67.42	67.43	1.1786	79.47	1.3377	90.20	110.05	61.27	0.9855	68.42	0.7614	51.34	1.2979	51.95
12-Jun-18	67.48	67.49	1.1747	79.28	1.3374	90.26	110.39	61.14	0.9870	68.38	0.7576	51.13	1.3017	51.85
13-Jun-18	67.64	67.65	1.1793	79.78	1.3378	90.51	110.36	61.30	0.9857	68.63	0.7581	51.29	1.2988	52.09
14-Jun-18	67.62	67.63	1.1571	78.25	1.3264	89.70	110.64	61.13	0.9973	67.81	0.7483	50.61	1.3105	51.61
15-Jun-18	68.01	68.02	1.1611	78.98	1.3288	90.38	110.69	61.45	0.9978	68.17	0.7448	50.66	1.3205	51.51
18-Jun-18	67.99	68.00	1.1624	79.04	1.3246	90.07	110.56	61.50	0.9953	68.32	0.7426	50.49	1.3202	51.50
19-Jun-18	68.38	68.39	1.1592	79.28	1.3182	90.15	110.07	62.13	0.9944	68.78	0.7386	50.51	1.3286	51.48
20-Jun-18	68.07	68.08	1.1574	78.80	1.3175	89.70	110.37	61.68	0.9964	68.33	0.7369	50.17	1.3314	51.13
21-Jun-18	67.98	67.99	1.1605	78.90	1.3254	90.11	110.01	61.80	0.9919	68.55	0.7384	50.20	1.3316	51.06
22-Jun-18	67.84	67.85	1.1659	79.10	1.3271	90.04	109.98	61.69	0.9882	68.66	0.7444	50.50	1.3274	51.11
25-Jun-18	68.12	68.13	1.1706	79.75	1.3280	90.48	109.79	62.05	0.9872	69.01	0.7415	50.52	1.3298	51.23
26-Jun-18	68.24	68.25	1.1649	79.50	1.3230	90.29	110.08	62.00	0.9908	68.88	0.7395	50.47	1.3312	51.27
27-Jun-18	68.61	68.62	1.1555	79.28	1.3115	89.99	110.27	62.22	0.9974	68.79	0.7342	50.38	1.3341	51.43
28-Jun-18	68.79	68.80	1.1571	79.61	1.3080	89.99	110.51	62.25	0.9977	68.96	0.7357	50.61	1.3248	51.93
29-Jun-18	68.47	68.48	1.1687	80.03	1.3210	90.46	110.70	61.86	0.9912	69.08	0.7407	50.72	1.3134	52.14
AVG	67.7849	67.7949	1.1674	79.1409	1.3288	90.0783	110.1500	61.5476	0.9903	68.4555	0.7493	50.7959	1.3130	51.6381





Rupee Performance

The month of June'18 was surely a head turner for the Indian currency. USDINR started off the month at 67.45 levels and then turned south to its monthly high levels of 66.83 thereafter changing its trend and weakening to 69.09 levels. It closed the month at 68.4650 levels on 29th Jun'18. The explanation for this violent move has been given below.

The Indian Rupee in the initial few days traded in a range bound manner as markets remained cautious ahead of the three day RBI policy meeting that was to be released on 6th June'18. Investors were divided over whether the rate-setting committee would raise rates by quarter percentage points or wait till its next policy meeting in August to assess the outlook on core inflation. When the D-Day arrived, markets were taken by surprise. The policy committee hiked rates by 25 basis points but maintained a neutral stance on future rates. This pushed the local equities higher in turn boosting the demand for the Indian Rupee that touched its monthly high levels of 66.83.

However, the strong trend was short-lived and the Indian currency turned north once again amidst uncertainties in the global arena with respect to trade wars and other. After the US President imposed hefty tariffs on EU and Canada, both the countries threatened to retaliate which kept the global markets pressurized in turn hampering Indian markets and its currency too. Another reason for the negative trend in Rupee was the crisis in Brazilian Real. Despite selling an additional \$2 billion of foreign-exchange swap contracts apart from its usual daily offer of \$750 million, USDBRL weakened by almost 5 percent. Reason was political instability in the country that spread through other emerging market currencies as well.

Adding to the woes, was the increased fears surrounding the China-US trade tariff war after the US President slapped duties on \$50 billion in Chinese imports. This prompted the dragon nation to fire back by raising import duties on a \$34 billion list of American goods including soybeans, electric cars and whiskey. This move by China angered the US President who imposed additional tariffs on \$200 billion of Chinese imports in retaliation. Post this, not only the Yuan currency weakened (weakened by more than 3 percent in June) but all its Asian peers too. To curb this excessive weakness, the PBOC Governor urged investors to remain calm and commented on using all possible tools like reducing banks' reserve requirement ratios (RRR) to boost market liquidity in a bid to face all sorts of trade frictions.

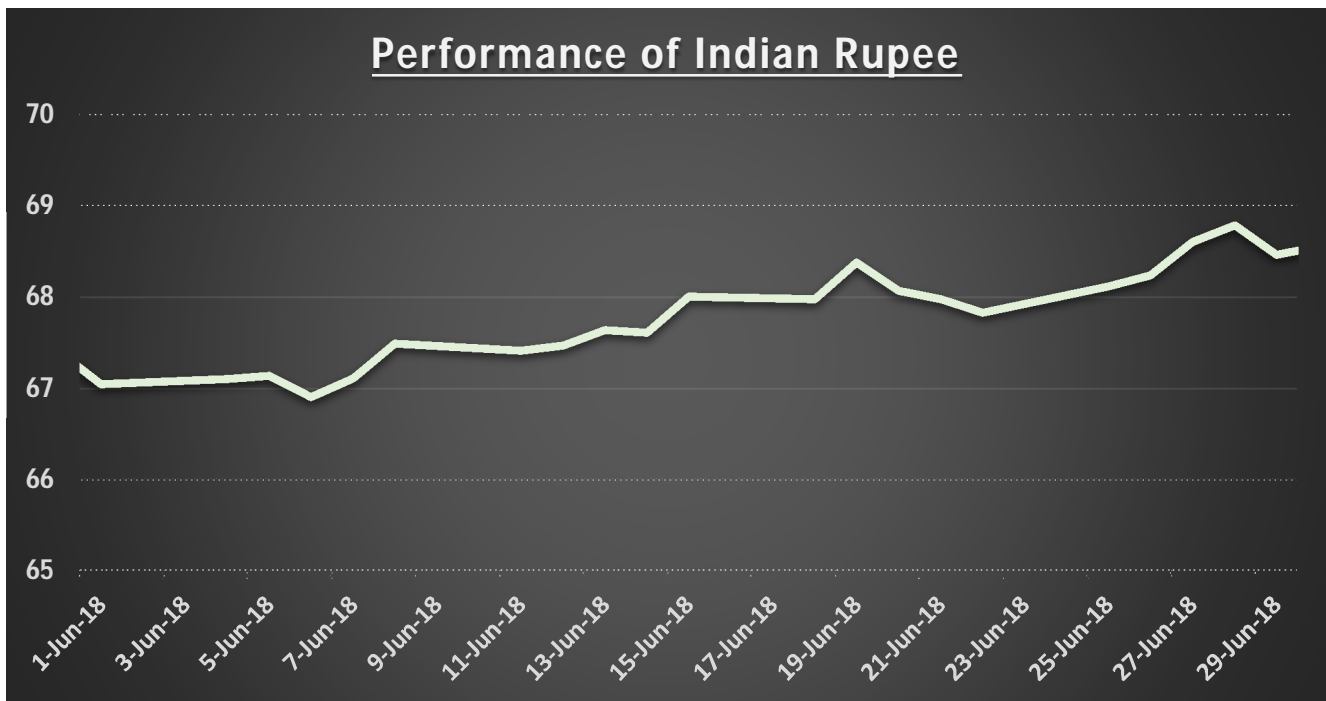
This proved some relief to all the Asian markets including India that worked in favour of the Indian Rupee. This positive trend was again short-lived as the bearish sentiments in regional currencies returned back after the US Fed Chair Jerome Powell reiterated the central bank's commitment to more interest rate increases which kept the global dollar higher. The losses in Rupee was capped after Saudi Arabia convinced Iran to agree to increase oil output slightly in 22nd Jun'18 OPEC meeting which kept the crude prices weak and Rupee strong. Moreover, the disappointing release of Philadelphia Federal Reserve's manufacturing index that plunged to 19.9 levels from 34.4 levels, steepest fall since Jan'14 pushed the American currency lower in turn keeping the Rupee strong.

After the OPEC meeting, things didn't go as per plan as markets traded in red and currencies volatile. Prolong surge in crude and lower supply prompted the OPEC and non-OPEC countries to increase crude supply by 1 million barrel per day. This move was ignored by the markets as the move did not match the world oil demand that was expected to increase by 1.5 Mmb/d in 2018, as per the new OPEC report. Increase in demand will definitely require more supply. But with the recent Iran sanctions, uncertainty about Libyan exports and production disruption in Canada there was a big question whether the global demand will meet its equivalent supply. In fact, a recent report showed that the US crude inventories made a sudden fall since September 2016 which pushed the Crude Prices higher and the Rupee pressurized which broke above 68.00 levels.

Indian markets reacted negatively to the surge in crude prices over concerns that higher crude oil prices will worsen India's current account deficit and accelerate inflation. Also, concerns of trade protectionism led by the US weighed



on global markets and emerging market currencies including Rupee. The FII outflow from Indian Debt markets continued over US interest rate hike worries. Sharp weakness in Chinese Yuan over trade war worries spread through other emerging currencies including India. Due to all of the mentioned negative events, the Indian Rupee breached its all-time low of 68.8650 levels and made a new all-time low of 69.09 levels. However, amid sharp RBI intervention, rupee cooled off later. Furthermore, the disappointing release of US GDP data that came at 2.0 percent from 2.2 percent weakened the American currency in turn providing support to the Rupee. Quarter end dollar selling by IT firms and rebound in Yuan currency after the Chinese officials commented on easing the FII limits that halted the foreign outflows acted as a positive factor. USD/INR closed the month at 68.4650 levels on 29th June 2018.





Rupee Outlook

The Indian Rupee after depreciating by almost 1.70 percent in June'18 is all set to trade volatile with weaker bias in July'18. The two main factors that could govern the trend of the Indian currency is the global trade war and the crude oil crisis.

Starting with the global trade war, the tensions between the world's two biggest economies i.e. US-China have worsened as both sides have threatened to throw new tariffs on each other's exports. Since the problem remains unresolved, there is a possibility that the Yuan currency that fell by more than 3 percent in the past two weeks will remain pressurized for some more time. In his recent comment, the US President Donald Trump has ruled out backing down on import tariffs against China and has threatened that the tariffs could go up to \$500 billion worth of Chinese goods if the two countries are unable to strike a "fair" deal soon. Hence, the volatility is expected to continue keeping all other Asian market currencies including India under pressure.

Not forgetting, the recent imposition of trade tariff by the US on Canada and European Union that has led to the latter two countries to retaliate. Canada has imposed trade tariffs on \$12.6 billion worth of American goods including iron, orange juice and whiskey in response to the US tariffs on Canadian steel and aluminium which were introduced on 22 June. In fact, even European Union and Mexico have hit back against US import tariffs with tariffs of their own. Mexico has imposed on imports of US pork, steel, cheese and apples and the European Union has levied duties on whiskey, motorcycles and orange juice. To this, Donald Trump has vowed to respond with another set of trade tariffs to his trade partners' reaction.

The second factor is related to crude oil that has already kept a firm grip on the markets and is likely to continue to do so in the near term. The recent statement by the US to India and China with regards to reducing their crude imports from Iran has resulted in India affirming that it only follows UN sanctions and not US sanctions. This could invite some unpleasant words from the US side that could disrupt the tranquillity of the local equities i.e. Sensex and Nifty. These trade war and high crude prices can keep Indian rupee on toes and lead to retest of recently made all time low of 69.09 levels. A break above this levels could trigger panic buying by importers and speculative trade by traders which in turn can push rupee even to 69.50-69.80 levels. Also, the general weakness in local equities due to mid-cap stocks downfall and FII outflow from Debt markets due to US rate hike fears shall keep the pressure alive on rupee.

However, a failure to break above 69.09 levels along with RBI intervention can push rupee back towards 68.50 - 68.20 range. Also, on the positive side, towards June end, the US President tweeted that Saudi Arabia had agreed to boost oil output by as much as 2 million barrels a day if shortfall persists. If implemented in real it shall be a good news to all as the growing global demand will be matched by global supply. The news itself has kept the crude prices pressurised and if it gets implemented on 20th July'18 (OPEC Meeting) the prices are likely to go further down. This could definitely work in favour of the Indian currency.

Nevertheless, there are host of economic data releases from India like Industrial Production and Manufacturing Production that is expected to come on a weaker note whereas releases such as CPI, WPI and Balance of Trade which shall come on a robust note giving the local equities and the local unit a kind of positive strength. From the US both NFP and ADP Employment Change data is expected to come on a conflicting note which could keep the dollar index volatile. Moreover, the release of FOMC Meeting Minutes could also create some jitters in the markets if there are any hawkish cues. Also, retail sales, consumer sentiment, building permits, existing home sales, durable goods orders, consumer confidence and Advance GDP data that could keep the Rupee under pressure in volatile US Dollar Index.

Towards the end of the week, markets shall remain in a speculative mode prior to the RBI and FOMC Monetary Policy Meeting that is to be released on 1st August'18. With respect to the RBI Monetary Policy, after hiking rates by 25 bps in June'18 the policy committee is unlikely to make any changes in its policy rates in the upcoming one.



However, there could be change in stance or some statement in the Governor's speech which could give a new direction to the Indian currency. About the FOMC Meeting, in the upcoming policy meeting we could see no change in the policy rate as the committee has recently hiked rates. And with so many unexpected developments taking place in the US which still remain unresolved and unclear, the committee may not opt for a rate hike immediately. However, markets could expect some tension soothing statements from the US Fed Chair in order to keep the inflows intact in the United States.

Keeping all the factors in mind, the Indian Rupee could initially trade weaker, all thanks to the trade wars and crude oil crisis. However, with possibility of further hike in output production the crude prices could remain under pressure giving the Indian currency some breather. Any unusual weakness in the Rupee could invite RBI intervention at higher levels in order to keep the Rupee on the stable side.



USDINR Technical Take

Chart 1: USDINR – Weekly Chart



The pair has given a bullish close on the weekly and monthly charts but has failed to give a break out on closing basis above 68.86 levels for a swift upward movement. However, the pair is likely to initially fill its technical gap of 68.25 levels and could find strong support at 68.20 levels (trend line). From thereon, the pair could start moving higher and a closing above 68.86 levels would open the gateway for a swift up move towards 69.10 and 69.30 levels. Only a convincing break and close above the same shall push rupee towards its psychological 70.00 levels. Being a psychological resistance the pair could hold back and reverse some of its gains. Any break and close above 70.00 levels shall push rupee towards 70.50 levels. On the flipside, any break and close below 67.80 would negate the above view and open up the target towards 66.80 and 66.20 levels. Next key support lies at 65.85 levels (technical gap). Technical indicators are signalling caution on the up move as RSI is highly overbought and signalling divergence on the weekly charts.

Key Supports	S 1	S 2	S 3	S 4	S 5
	68.20	67.80	66.80	66.20	65.85
Key Resistances	R 1	R 2	R 3	R 4	R 5
	69.10	69.30	70.00	70.50	71.20



Strategy

Importers are advised to cover their near-term payables on dips towards 68.20 levels and increase coverage for further tenures on any dip towards 67.80 levels. Exporters are advised to cover their near to mid-term receivables in a staggered manner on spikes towards 69.30 and 70.00 levels.

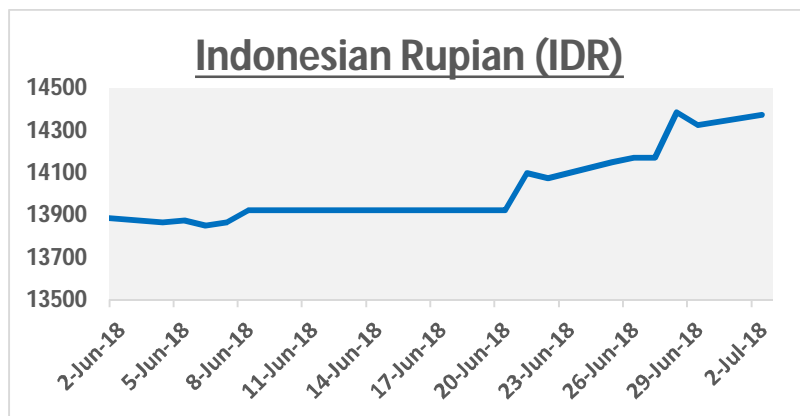
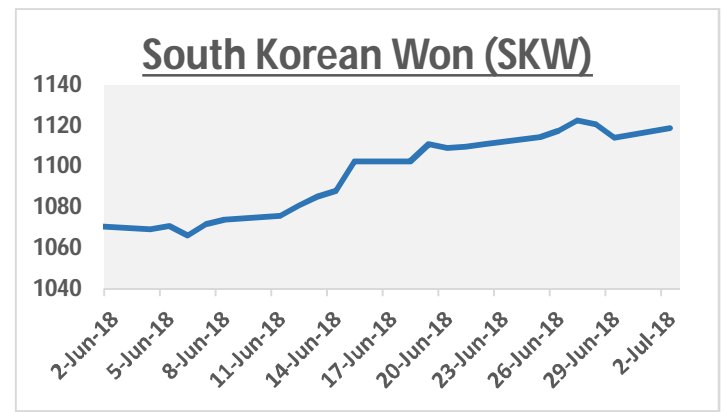
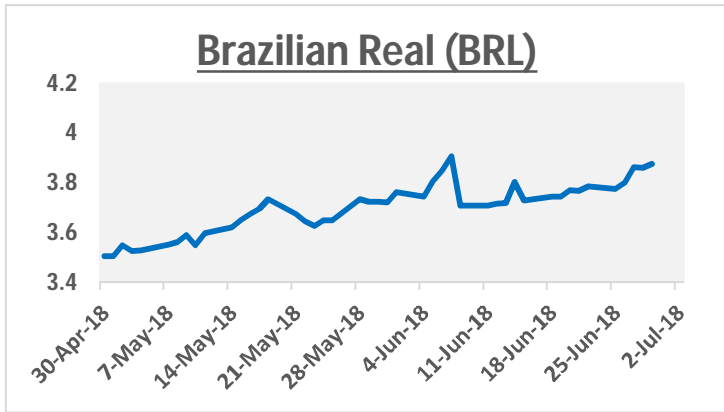
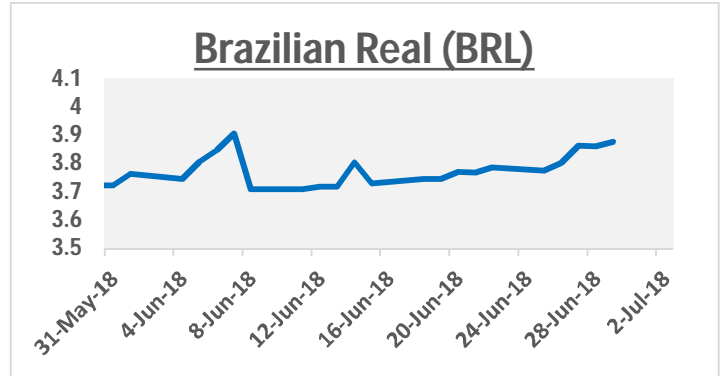
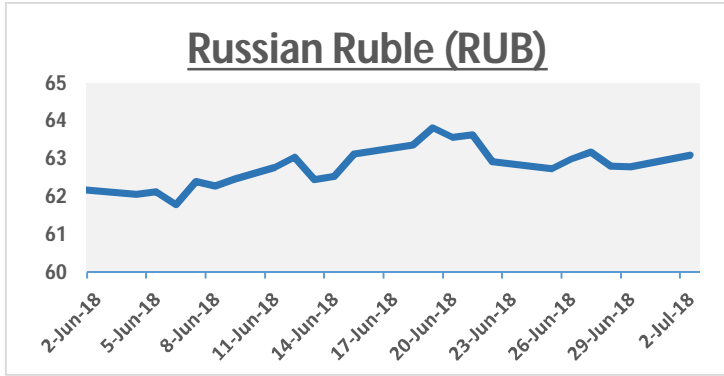
Markets Round up

Performance of Major Asian Currencies			
Currency	1-Jun-18	29-Jun-18	% Change
INR	67.055	68.465	-2.10%
CNY	6.418	6.6171	-3.10%
KRW	1070.73	1113.91	-4.03%
SGD	1.3383	1.3626	-1.82%
THB	32.03	33.02	-3.09%
PHP	52.491	53.311	-1.56%
MYR	3.977	4.038	-1.53%

Performance of Major Equity Indices			
Indices	1-Jun-18	29-Jun-18	% Change
Sensex	35227.26	35423.48	0.56%
Hang seng	30492.91	28955.11	-5.04%
Nikkei	22171.35	22304.51	0.60%
CAC	5465.53	5323.53	-2.60%
Dowjones	24635.21	24667.78	0.13%
DAX	12724.27	12306	-3.29%
Shanghai	3075.1372	2847.4181	-7.41%

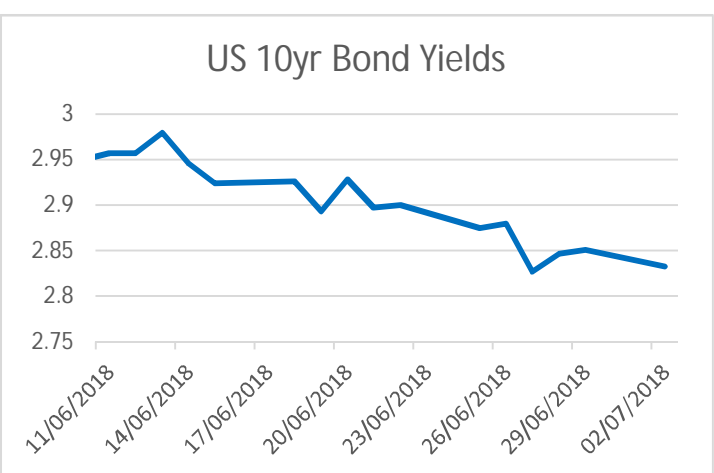
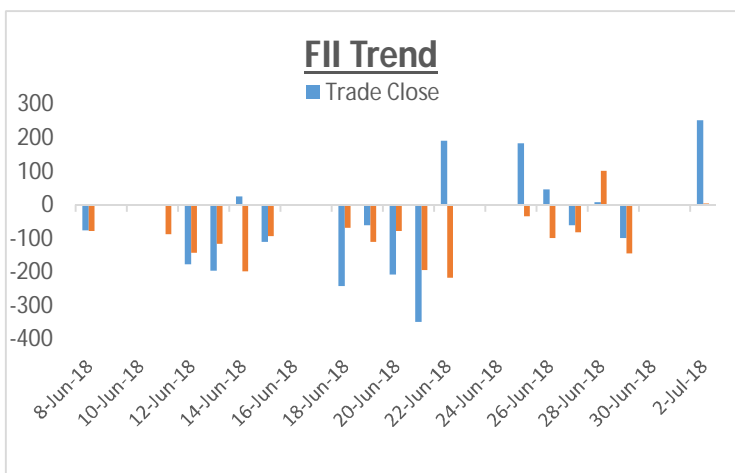
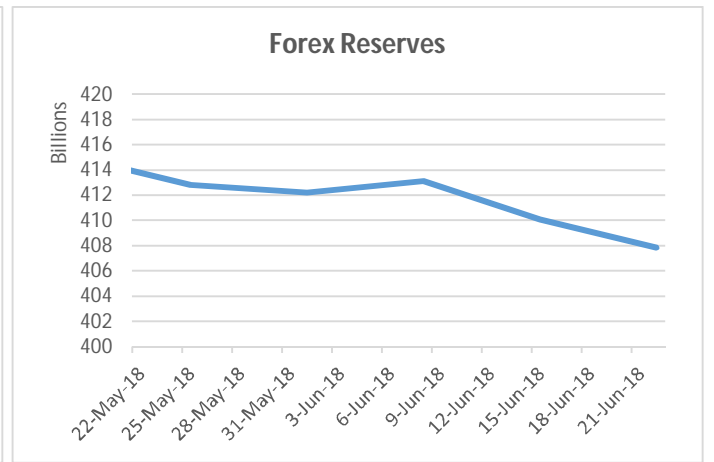
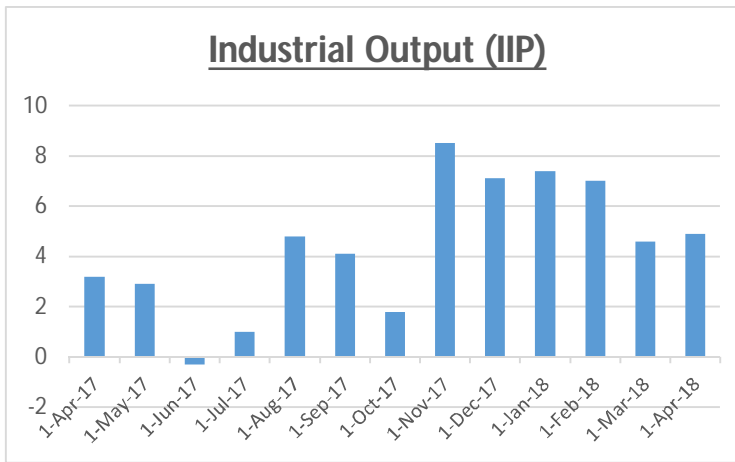
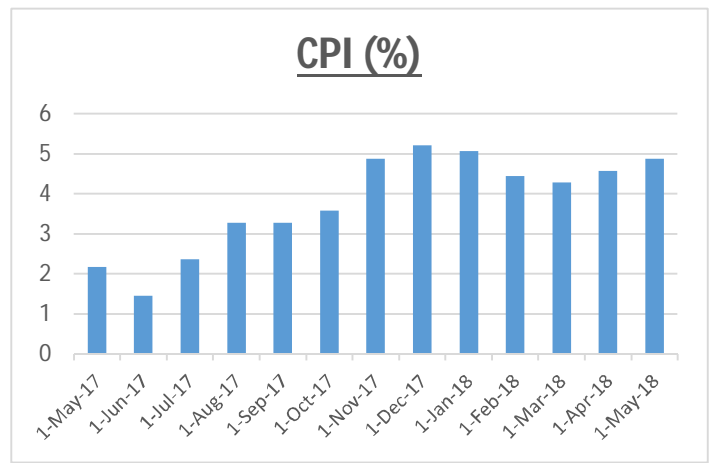
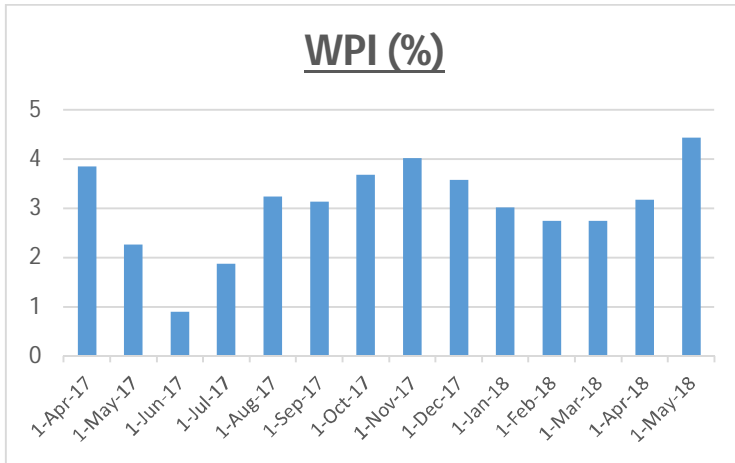


Emerging Market Currencies





Graph'o'nomics



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