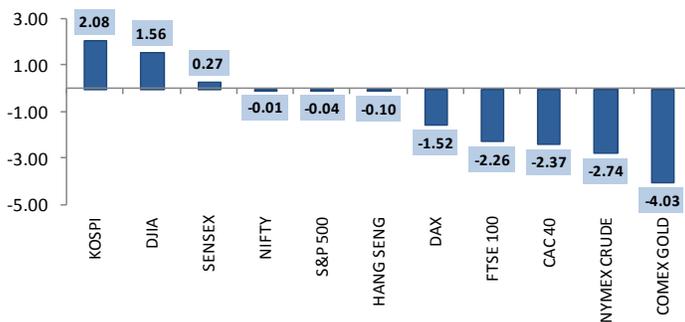
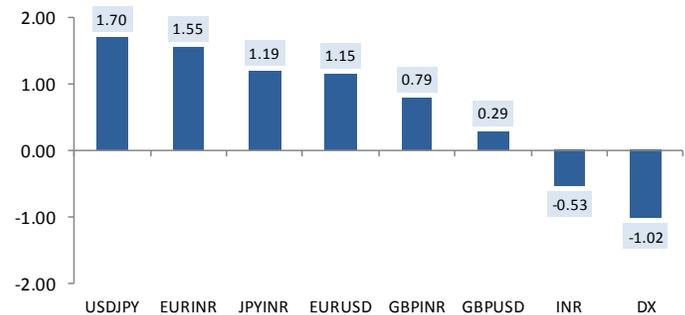


MARKET SNAPSHOT

Monthly Performance - June'17 (%)


Source: Reuters, Angel Currencies

CURRENCY HIGHLIGHTS

Monthly Performance - June'17 (%)


Source: Reuters, Angel Currencies

- On 4th July'17, North Korea had launched an intercontinental ballistic missile. In reply, United States and South Korea held a joint missile drill exercise. To pacify the tensed situation, Russia and China have urged North Korea to freeze its nuclear programme and at the same time has called for the US to stop the deployment of its THAAD missile shield in South Korea.
- ECB President Mario Draghi in a recent statement hinted at the possibility of trimming their stimulus program by the end of 2017. He made it clear that due to current happenings in the global arena, there were strong grounds for prudence in the adjustment of monetary policy parameters and any monetary adjustments will be gradual in nature.
- Prime Minister Shinzo Abe's Liberal Democratic Party suffered a historic defeat in an election in the Japanese capital thereby signalling trouble ahead for the premier, who has suffered from slumping support because of a favouritism scandal.
- In June'17 FOMC meeting, the policy setting committee decided to lift the key interest rates by 25 basis points making it the second hike done in three months with the expectation of one more by the year end and three more in the next year. The FOMC Chair went on to grab the attention by commenting on balance sheet normalization.
- Italy's most oldest and troubled bank i.e. Banca Monte dei Paschi has finally got a rescue aid from the European Union who have approved for a €5.4bn injection of public funds into the bank.
- India has finally implemented a new tax regime i.e. GST with effect from July 1, 2017 in a bid to simplify and rationalize taxes.

World currencies market has experienced wild swings all thanks to the capricious events. Major central banks of the world have made a hawkish comment thereby putting a pinch of pressure on emerging market economies to get their policies in check. Not only this, tensions in the Korean peninsula, uncertain Trump policies and terrorist attacks have prompted the traders to adopt risk-off mode.

Indian Rupee

USDINR spot which is currently trading at 64.75 levels while writing, depreciated by around 0.5 percent in June'17. Reason behind the same could be attributed to both domestic and international factors that restricted rupee's once strong price trend.

On the domestic front, the initial euphoria with respect to the new tax regime i.e. GST bill was quite weak. Also, National Association of Software and Services Companies projected slow revenue growth for India's software services industry on the back of technology changes and political uncertainty. Furthermore, there was a selling pressure seen in PSU banking shares over concerns about provisioning for defaulted loans.

Weak economic datasets from the nation added to the woes. Manufacturing, Service and the GDP growth rate came on a weaker note as compared to the previous month. On the contrary, inflation rate in the month of June'17 plunged to 2.18 percent from previous month's 2.99 percent.

On the international front, the recent FOMC meeting shocked the markets by introducing a concept known as balance sheet normalization to the world. The committee will begin with absorption of \$6 billion per month and gradually raise it in a phased manner to \$20 billion per month in case of mortgage

backed securities and \$30 billion per month in case of treasuries. This gradual tapering will give the Fed time to assess the impact.

Heightened uncertainties in the global arena with respect to Fed rate hike, Trump's policies, Brexit negotiations etc has prompted investors to play safe by either booking profits or refraining from making any risky investments pushing the demand for the Indian Rupee lower.

Outlook

Indian Rupee has enjoyed its share of positive trend for quite some time now which is likely to witness some reversal in the coming days. The installation of GST Bill shall create some disruption on a micro level with consumers feeling the pinch due to higher taxation on services. However, on the macro level there is a huge scope of improvement in the growth rate as high tax rate shall give the government high revenues to invest in the economy. On the international front, hawkish tone in the statements of BOE, FOMC, ECB policymakers is affecting the foreign inflows of the emerging market economies including India. Keeping all the factors in mind, USDINR spot is likely to depreciate towards 65.30 levels in the month of July'17.

Japanese Yen

In the month of June'17, JPYINR spot which is currently trading at 0.57 levels while writing plunged by more than 1 percent. The downtrend implies that the demand for the safe-haven assets had declined. True, with the kind of hawkish tone in the statements of the major central banks chair, markets are gradually moving away from the less volatile Yen.

On the domestic front, unchanged policy move by the BoJ policymakers in June'17 monetary policies meet further added to Yen's weakness. The committee forecasted the release of strong economic datasets that shall help the Japanese economy to prosper in future which the markets feel unlikely to happen.

Also, the month of June'17 witnessed weak data trends from the nation. GDP growth rate came at 0.3 percent from previous quarter's 0.5 percent. This clearly means that the productivity is on a downward trend. The unemployment rate has increased to 3.1 percent in May compared with a 2.8 percent increase in the previous month.

Outlook

From monthly perspective, JPYINR spot (CMP – 57.12) is expected to fall in the near term. In the recent Tokyo Metropolitan assembly election, defeat of the Japanese Prime

Minister Shinzo Abe's Liberal Democratic Party has raised red flags. Furthermore, news of reduction in inflation forecast by the BoJ has kept the markets in a worrisome state as they feel that BoJ Governor's will-do-whatever-it-takes attitude has failed to spike any inflation. In short, the Central Bank is still facing challenges in using monetary stimulus to both lift prices and convince the public that its policies are working. Also, the prospect of higher rates in the developed economies has further intensified the problems for Yen as this will prompt investors to opt for dollar denominated assets.

TECHNICAL LEVELS FOR JULY'17

CURRENCY	S1	S2	CMP	R1	R2
Dollar Index	94.00	92.80	96.35	97.20	99.40
USDINR July'17	64.30	63.80	64.99	65.60	66.20
EURUSD	1.1230	1.0990	1.1334	1.1545	1.1665
EURINR July'17	72.75	71.55	73.71	74.90	75.65
GBPUSD	1.2730	1.2430	1.2920	1.3180	1.3330
GBPINR July'17	82.50	80.50	84.00	84.50	86.00
JPYUSD	0.0087	0.0085	0.0088	0.0092	0.0094
JPYINR July'17	57.10	55.75	57.29	59.55	60.60

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