

KEY HEADLINES:

- The yen and other safe-haven currencies were in demand on Monday, along with assets such as gold, as investors fretted that the killing of Iran's most prominent military commander by the United States could trigger a broader Middle East conflict. The moves extended a flight to safety that began on Friday after Iranian Major-General Qassem Soleimani was killed in a U.S. drone strike on his convoy at Baghdad airport. U.S. President Donald Trump warned of a "major retaliation" if Iran hit back, while Iran's replacement commander vowed to expel the United States from the region.
- Bahrain, Qatar and Oman's sovereign ratings would be the most vulnerable to a protracted and wider conflict in the Gulf region following the killing of Iran's top military commander Qassem Soleimani, S&P Global said on Monday. If tensions continued to escalate, the fiscal boost that could come from higher oil prices would likely be offset by capital outflows and weaker economic growth, a group of S&P's analysts said in a report. "We view Bahrain and Qatar as more vulnerable to outflows given their high external financing needs, relating to their respective banking sectors," they said.
- China will not increase its annual import quotas for corn, wheat and rice to accommodate stepped-up purchases of farm goods from the United States, senior agriculture official Han Jun told local media Caixin, it reported on Tuesday. U.S. President Donald Trump announced last month that China had agreed to double its pre-trade war purchases of U.S. agricultural products over the next two years as part of a Phase 1 trade deal to be signed this month. Beijing has said it will increase purchases of grains to meet U.S. demands for higher agricultural imports, leading to speculation in the market that it could adjust its quota.
- Traders have firmed in their conviction that that the Federal Reserve will trim interest rates further as concern swirls around the deteriorating global geopolitical situation. But they're far from pricing in the more dire economic scenarios seen several months ago. Fed funds futures are now fully pricing in a quarter-point cut by the end of 2020. The probability of such a move was closer to 70 per cent on Thursday. It then surged Friday in the wake of the U.S. airstrike that killed Iranian General Qassem Soleimani and upended the political situation in the Middle East.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI m/m	CHF	-0.1%	-0.1%	HIGH
CPI Flash Estimate y/y	EUR	1.3%	1.0%	HIGH
Retail Sales m/m	EUR	0.6%	-0.6%	MEDIUM
Trade Balance	CAD	-0.8B	-1.1B	MEDIUM
ISM Non-Manufacturing PMI	USD	54.5	53.9	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	72.11	71.95	71.85	72.25	72.35	BEARISH
EURINR FUTURE	80.86	80.55	80.35	81.05	81.20	BEARISH
GBPINR FUTURE	94.94	94.65	94.45	95.15	95.35	BEARISH
JPYINR FUTURE	66.81	66.50	66.30	67.00	67.20	BEARISH

RESEARCH BONANZA FOREIGN CURRENCY SEGMENT

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