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Paper by
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Indian & Global economy; USD INR outlook and Application of Elliott wave for castor price outlook

With the blessings of **Lord Saraswati**, at **TransGraph**
team of 57 people,
post graduates / doctorates in finance, economics, agriculture, energy trading,
mathematics etc
have consistently nurtured the science and art of **price forecasting and risk
management** to support **commodity buyer / sellers / processors & traders.**



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Feb 18 2017

Social value of price forecasting



- We were able to save 30+ crores in one quarter in buying raw materials for a big household brand which has **indirectly benefitted 10,000 villages** in getting animal feed at low cost, **price forecasting playing its part in a small way to social cause.**

Castor Seed & Oil Price Forecast



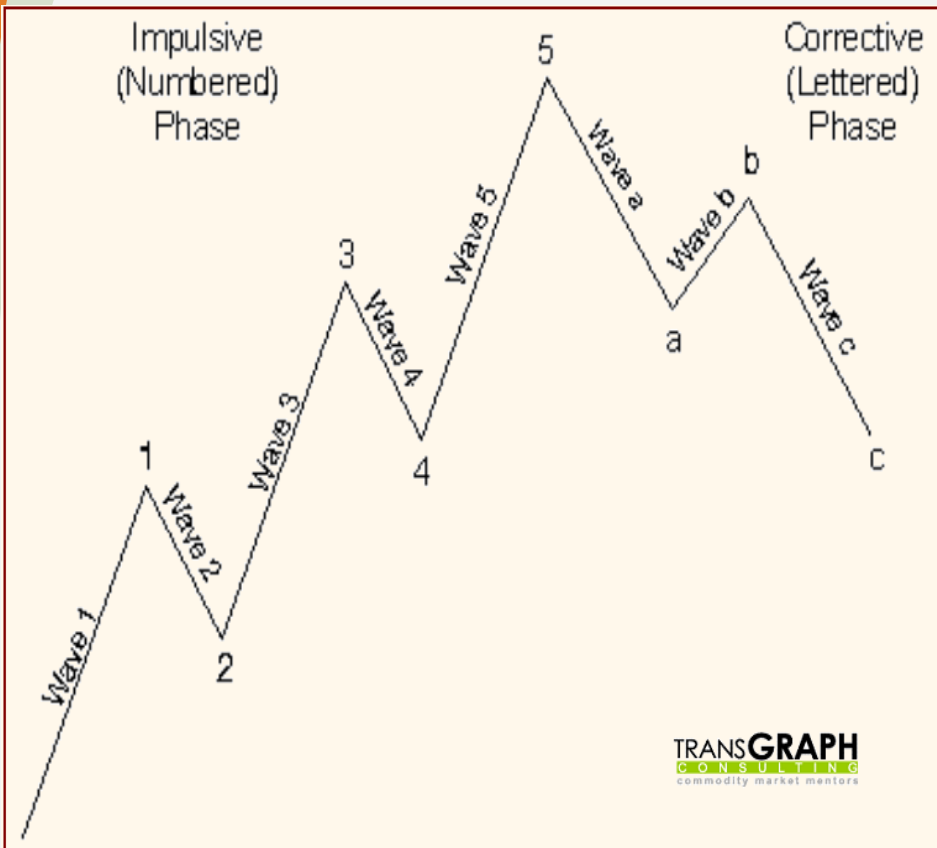
The Elliott Wave Principle

- R.N. Elliot formulated this idea in a series of articles in Financial World in 1939.
- Elliot believed that the market has a rhythmic regularity that can be used to predict future prices.
- The Elliot Wave Principle is based on a repeating 8-wave cycle, and each cycle is made up of similar shorter-term cycles.
- Elliot Wave adherents also make extensive use of the Fibonacci series.

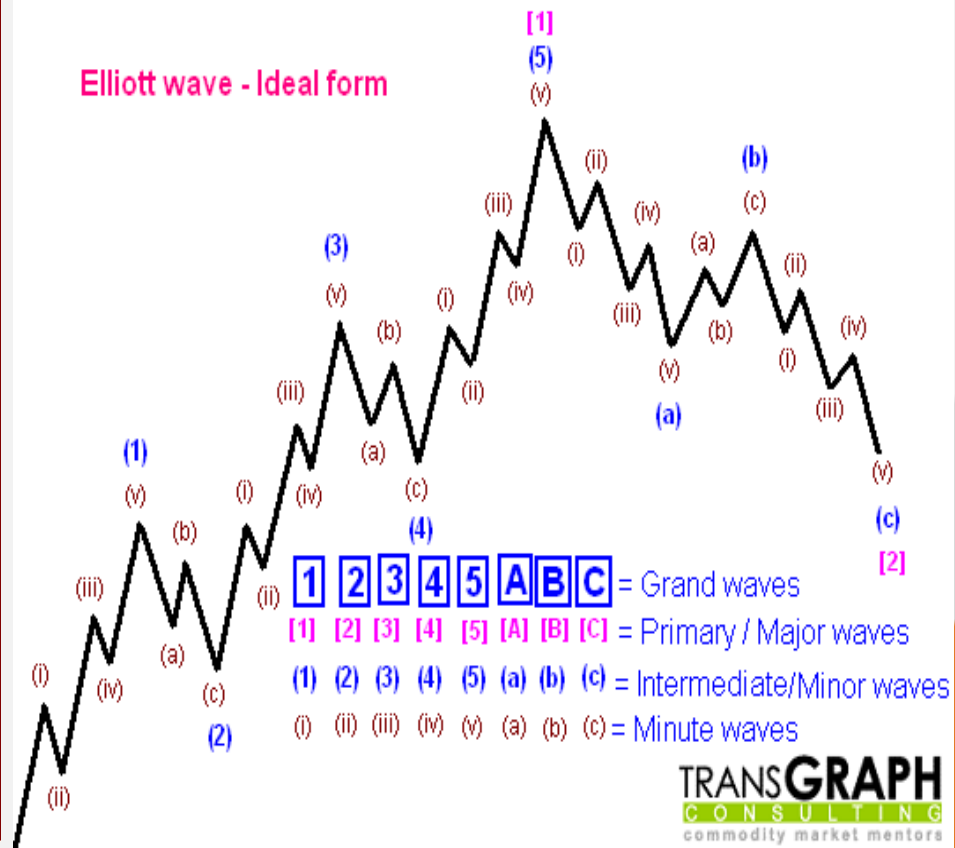
- Although it is one of the best forecasting tools in existence, the Wave Principle is not primarily a forecasting tool; it is a **detailed description of how markets behave**. Nevertheless, that description does impart an immense amount of knowledge about the market's position within the behavioral continuum and therefore about its probable ensuing path.
- The **primary value** of the Wave Principle is that it provides a **context for market analysis**. This context provides both a basis for disciplined thinking and a perspective on the market's general position and outlook.
- At times, **its accuracy** in identifying, and even anticipating, changes in direction is **almost unbelievable**.

Basic wave pattern: Impulse and correction

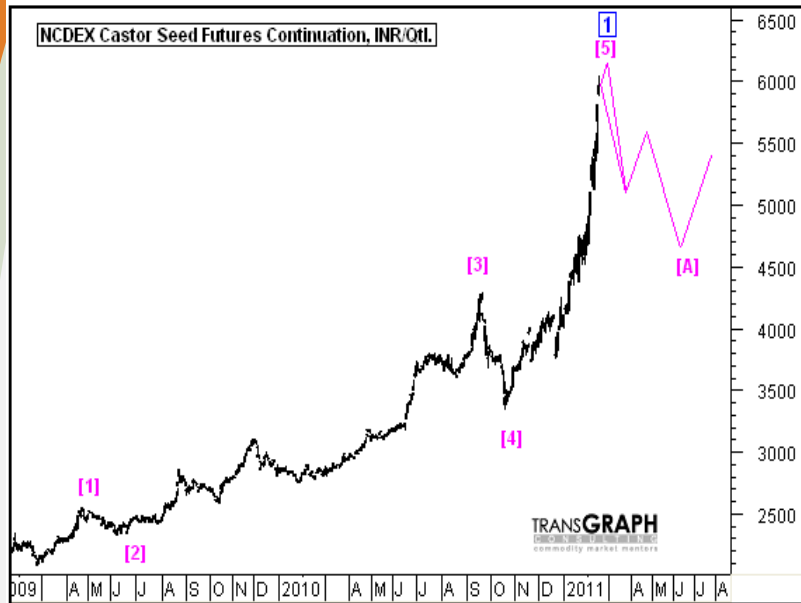
The Basic 8-Wave Pattern



Components of 8-Wave Pattern



Our forecast in 2011 ...



Prices turned weak as per the forecast and fell towards INR 4500 and subsequently bounced back. **Our forecast was absolutely correct.**

Our price forecast on 12th Feb'11 (last closing: INR 5962.50): prices are likely to witness a sharp downside correction towards INR 4800 while any gains would have limited potential above INR 6100/6200.



Our forecast in 2012 ...

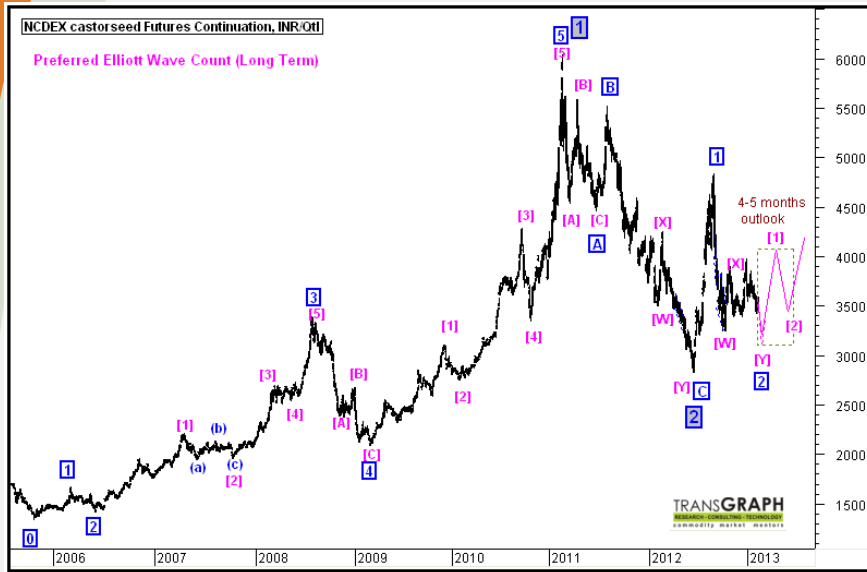


Our price forecast on 14th Feb'12 (last closing: INR 4142): prices are likely to witness further gains towards INR 4900 and witness minor pull back towards INR 4200 ahead of turning positive .

Prices continued its weakness after minor bounce to INR 4250 and renewed weak momentum and made new low in June 2012. **Our forecast went wrong.**



Our forecast in 2013 ...



Our price forecast on 6th Feb'13 (last closing: INR 3514): prices are likely to find support near INR 3200 and trade on sideways to positive note towards INR 4100 ahead of turning lower .

Prices continued its weakness towards INR 3130 as per the forecast and found support there and traded on sideways to positive note towards INR 3866 subsequently and turned lower thereafter. **Our forecast went mostly correct.**

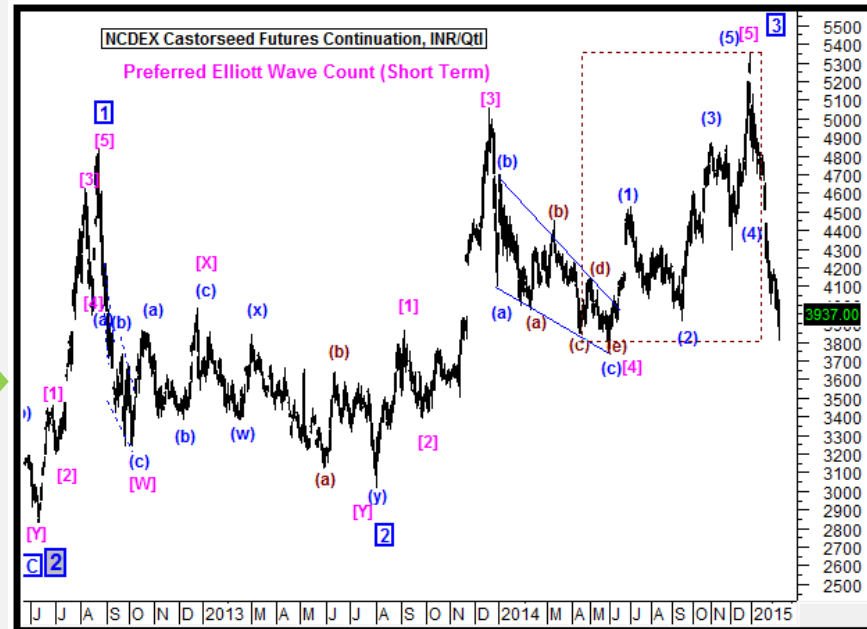


Our forecast in 2014 ...



Our price forecast on 3th Feb'14 (last closing: INR 4066): prices are likely to find support near INR 3900 and trade on sideways to positive note towards INR 5300 ahead of turning lower .

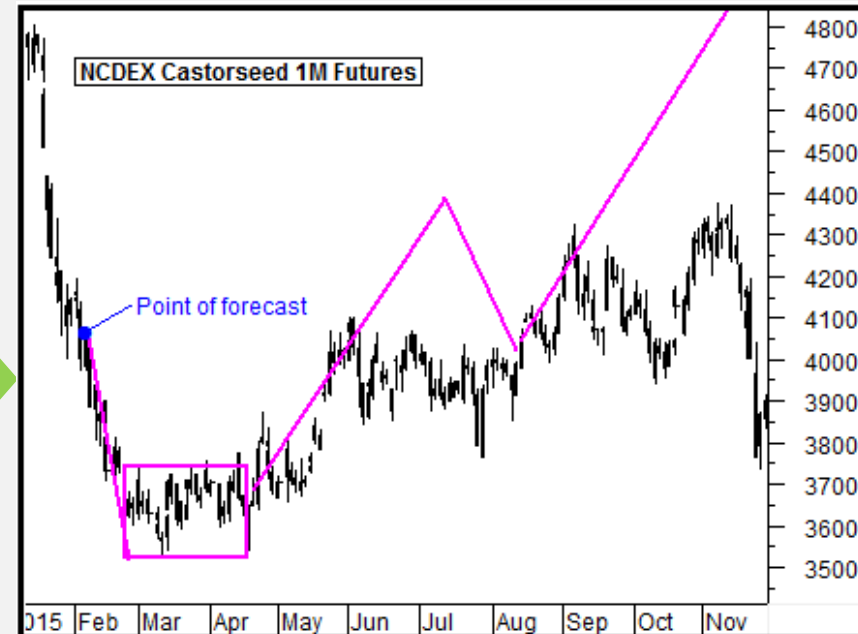
Prices continued its weakness towards INR 3800 as per the forecast and found support there and traded on sideways to positive note towards INR 5350 subsequently and turned lower thereafter. **Our forecast went 100 % correct.**



Our forecast in 2015 ...

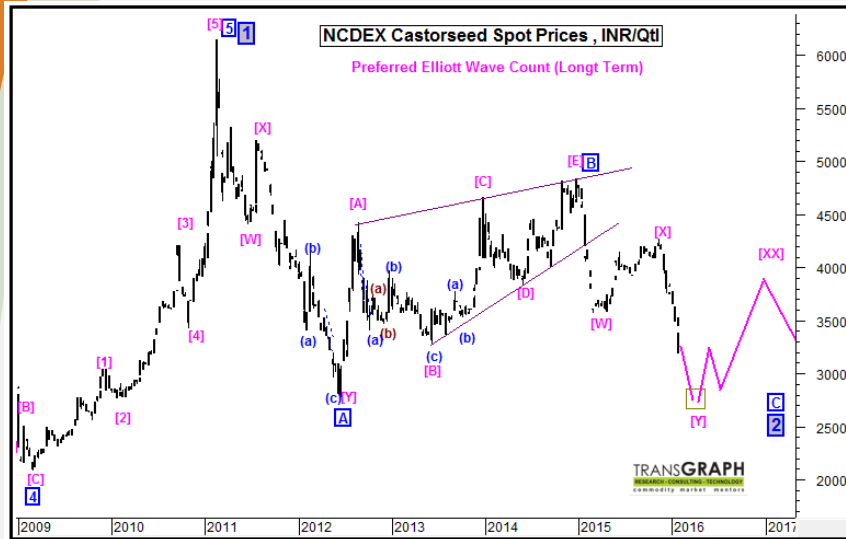


Our price forecast on 6th Feb'15 (last closing: INR 4042): prices are likely to extend further weakness towards INR 3500 ahead of turning positive towards INR 5300 in the medium term.



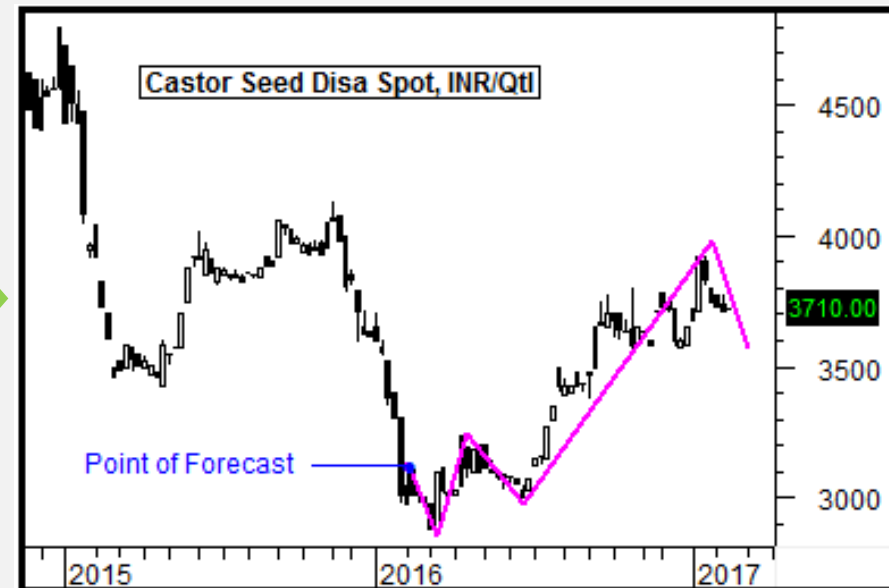
Prices continued its weakness towards INR 3550 and consolidated for couple of months as forecasted. However the subsequent rally could only attained INR 4376 in Nov 2015 and turned lower. **Our forecast went partially correct.**

Our forecast in 2016 ...



Our price forecast during last castor conference (Feb 12, 2016): prices would weaken towards INR 2900-2700 ahead of turning positive towards INR 4000 in the medium term.

Prices have fallen towards INR 2800 and consolidated below INR 3000 for couple of months. Subsequently prices have gained towards INR 4000 by Nov-2016 and are turning lower. **Our forecast has hit the bulls eye.**



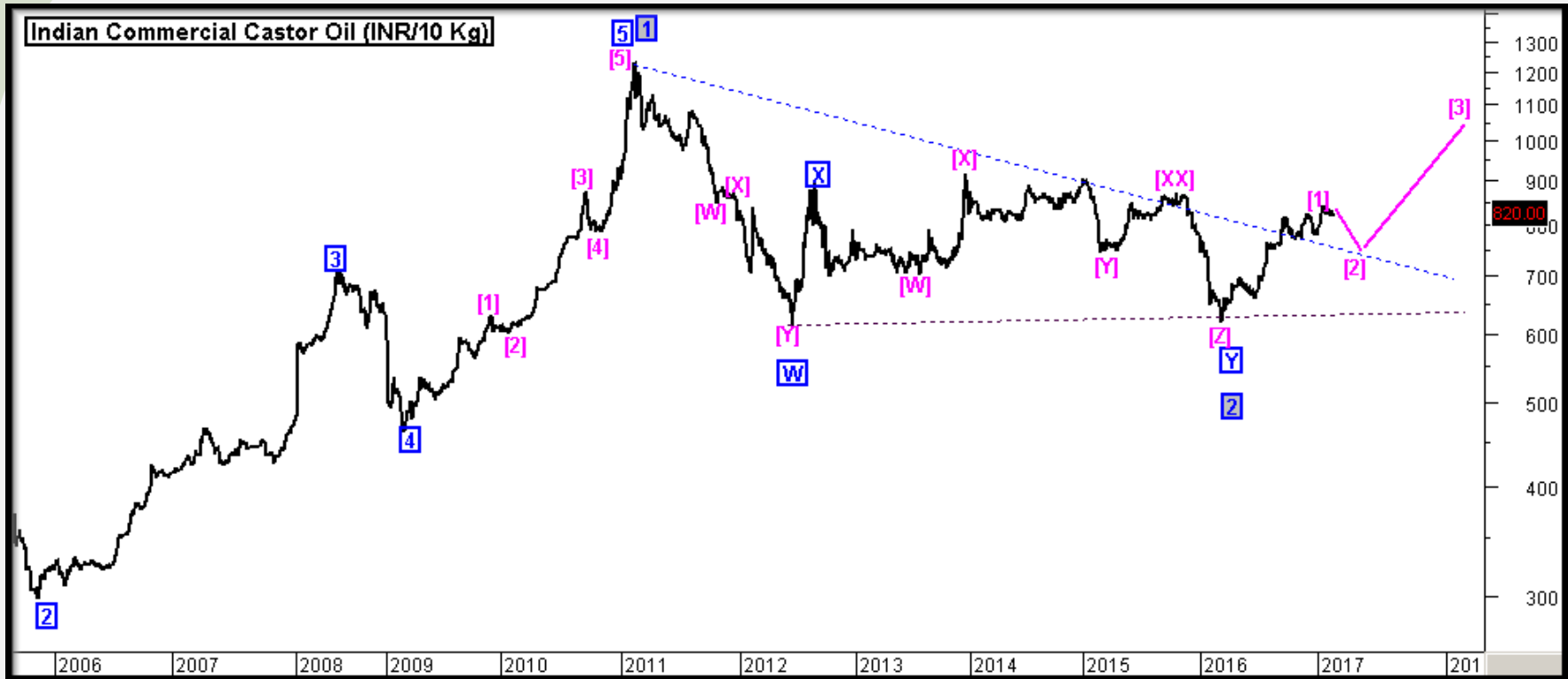
Castor Seed Spot Disa (Elliott Wave Applied...)



Castor Seed Spot Disa prices have concluded a cycle wave 2 near INR 2800 and are advanced as an Intermediate wave 1 which was concluded at INR 3940. Prices are likely to witness a downside correction towards INR 3400 ahead of further extension of gains towards INR 4800/5000 in the long term.

Castor Oil Spot Mumbai (Elliott Wave Applied...)

TransGraph



Castor Oil Spot Mumbai prices have scaled up from INR 620 towards INR 850 after concluding the Cycle wave 2. Moving forward prices are likely to test INR 750/730 and extend higher towards INR 1000 and higher in the long term.

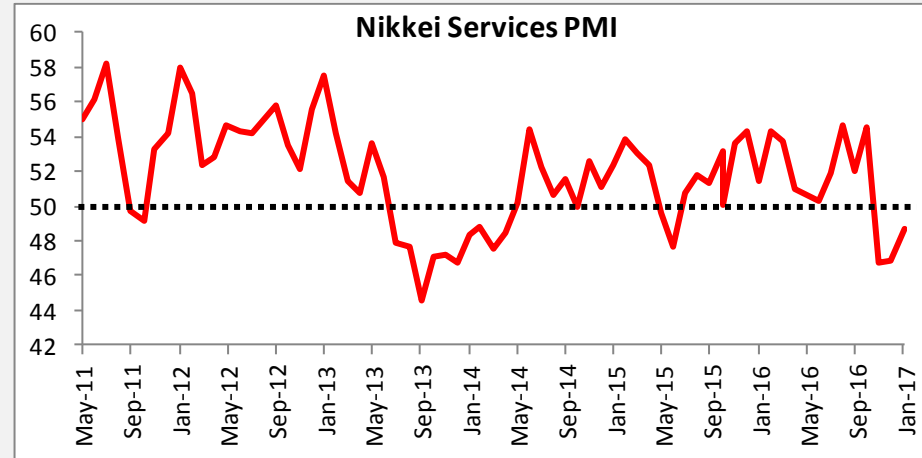
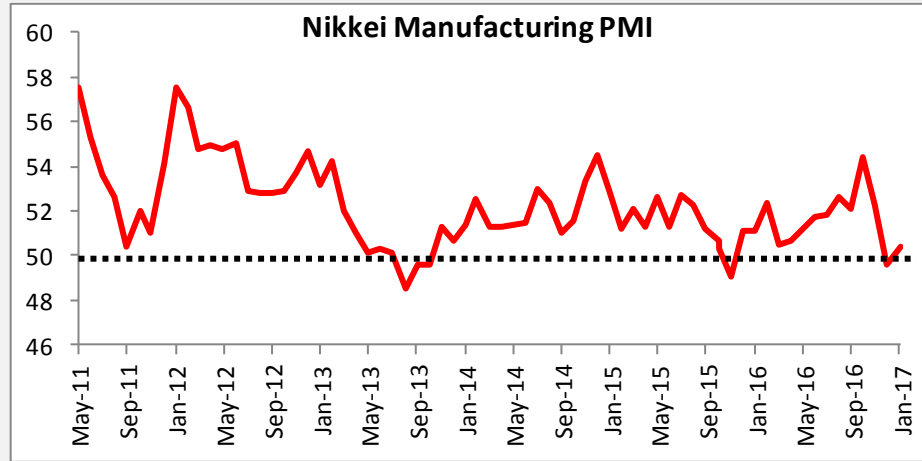
Indian economy



Sharp dip in PMIs clearly indicating impact of demonetization

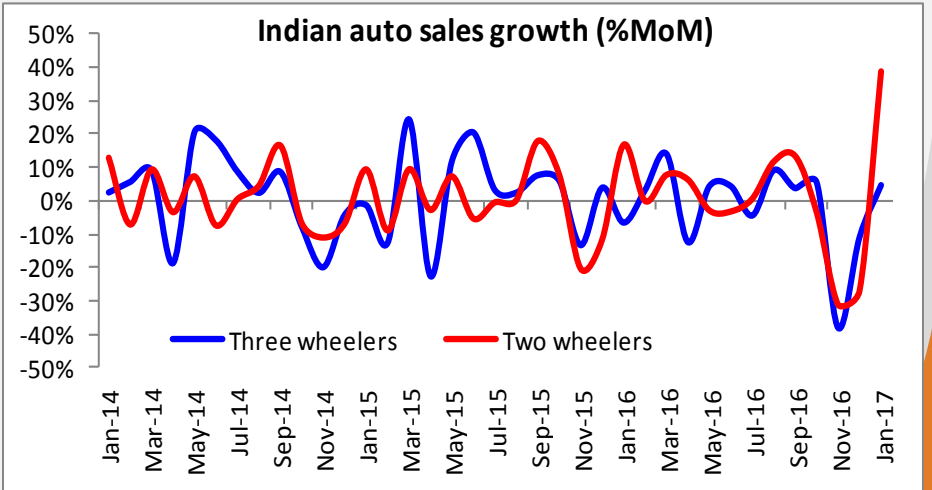
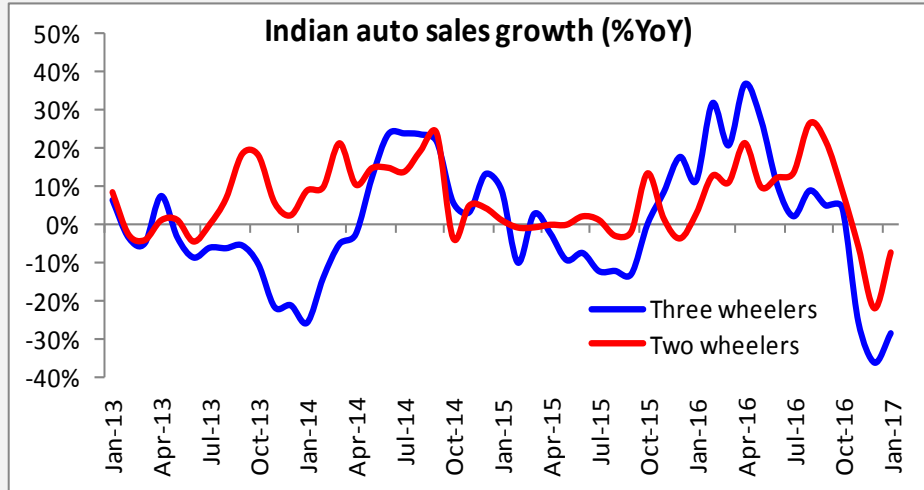
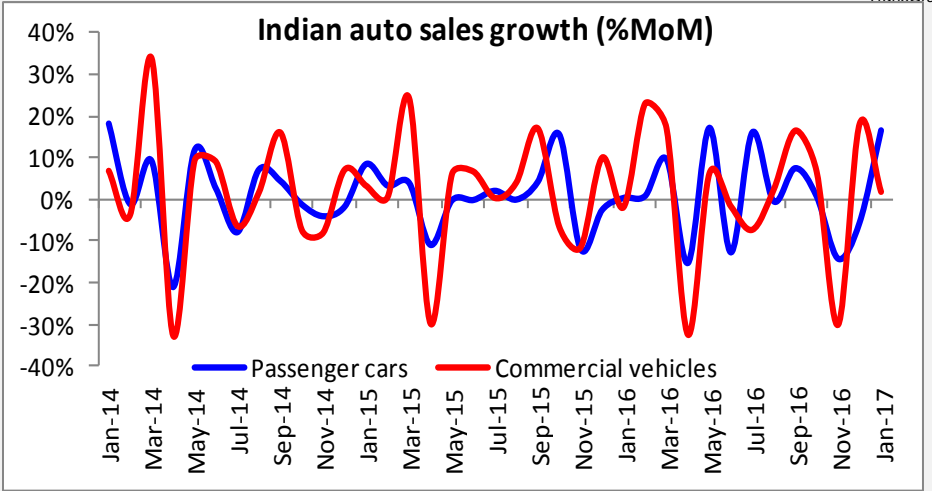
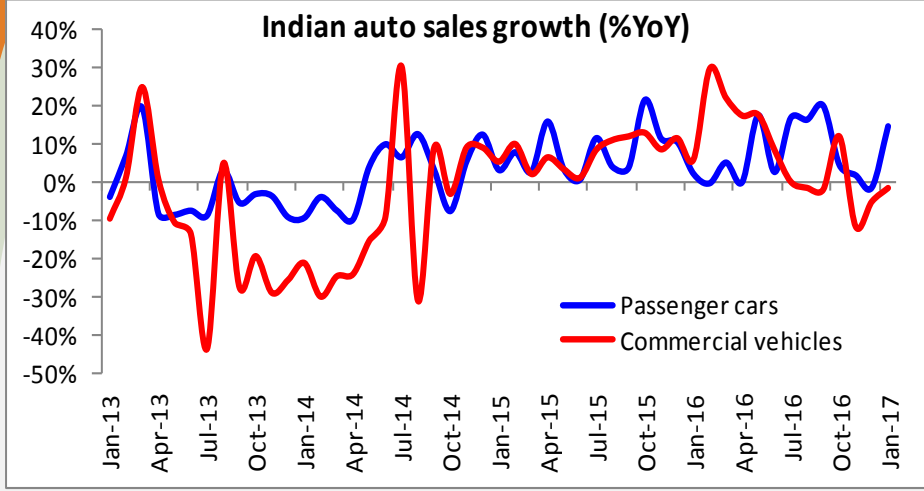
TransGraph

- **Manufacturing** activity has **contracted in December** as companies saw new work and output dip due to cash crunch with average delivery times also lengthening with demonetization impact on transport sector and the overall growth sentiments for OND
- Even **services** sector remained in **contraction for three consecutive months** with the negative sentiments post demonetization with the cash-driven sectors such as financial services, hotels, restaurants, renting and business activities suffering the most as consumers curbed discretionary spending

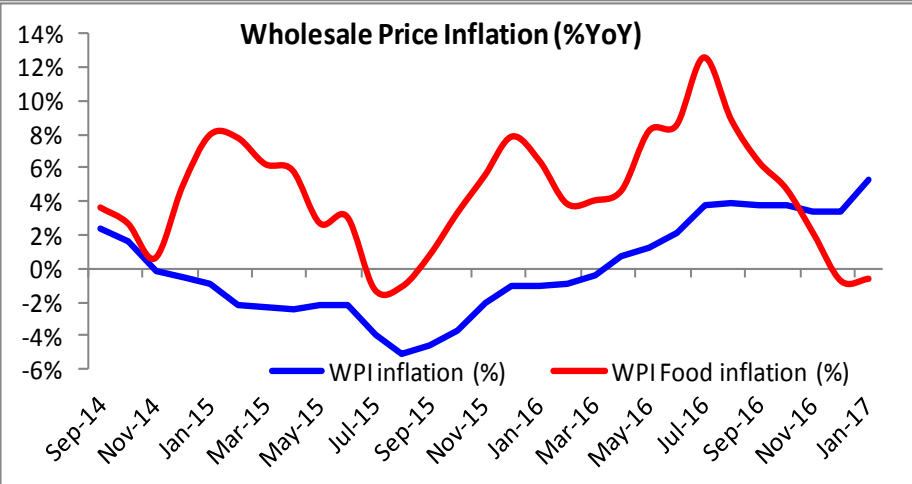
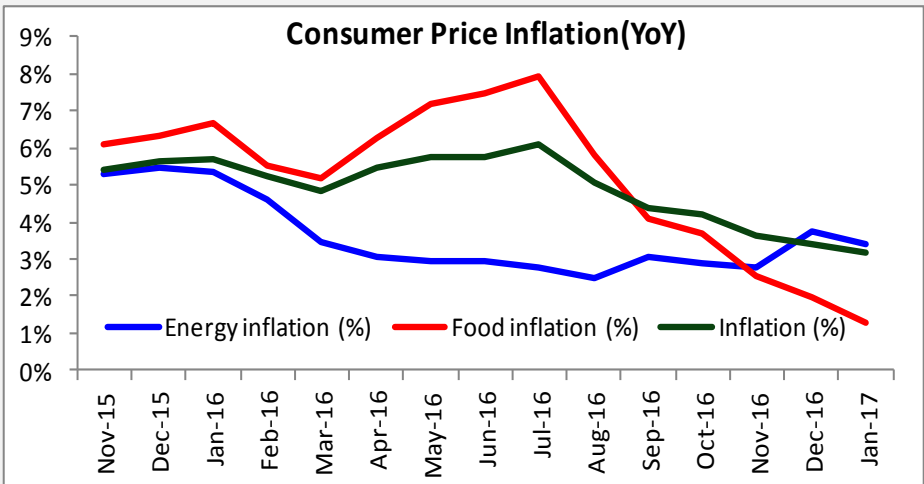
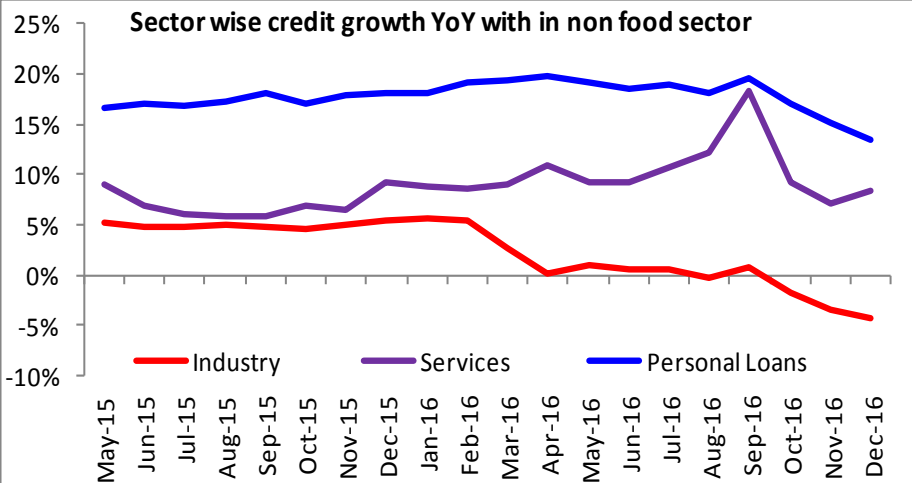
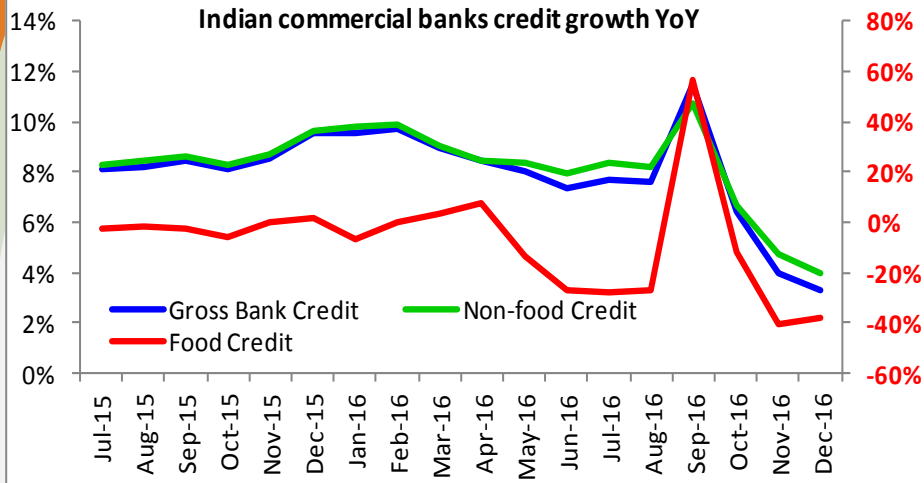


Passenger car sales unaffected but commercial vehicles, 2W and 3W affected significantly by cash crunch in Nov-Dec'16 – Indicating dampening of Rural demand

TransGraph

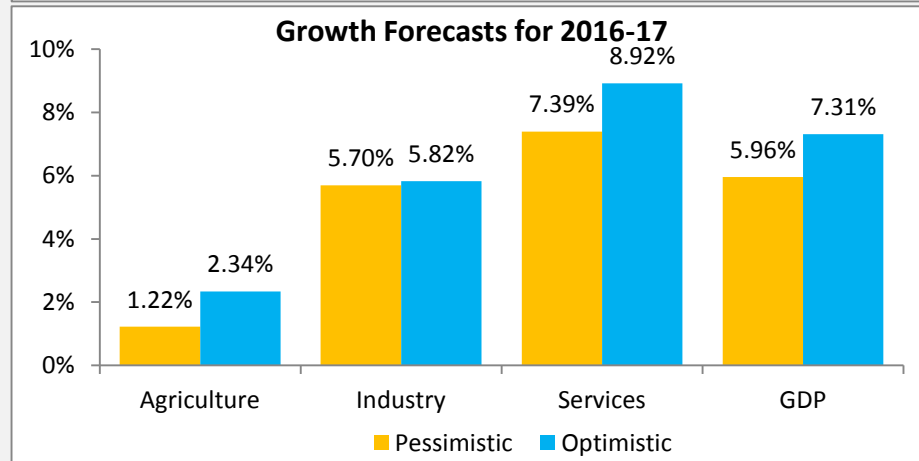
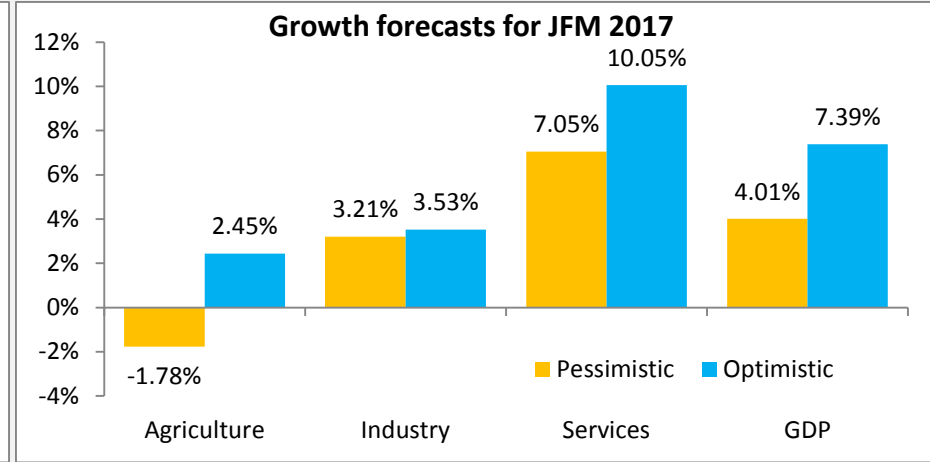
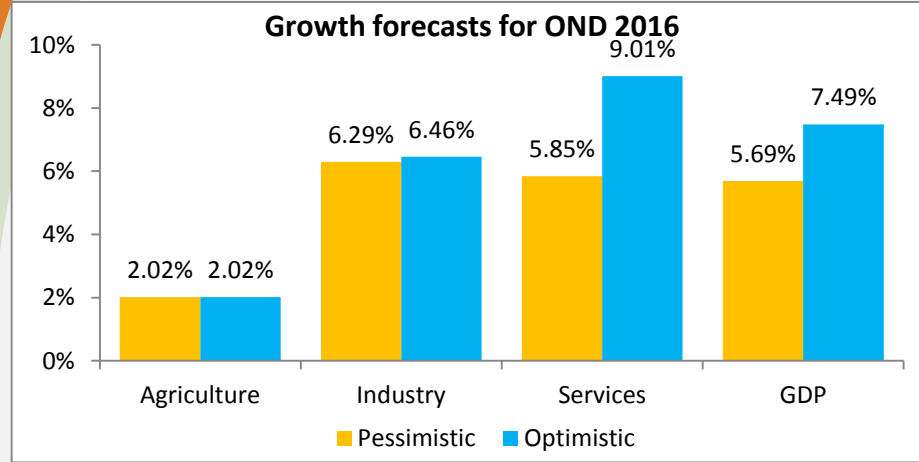


With dip in consumer inflation post demonetization, further rate cut of 0.5% is likely; Industry credit is severely constrained



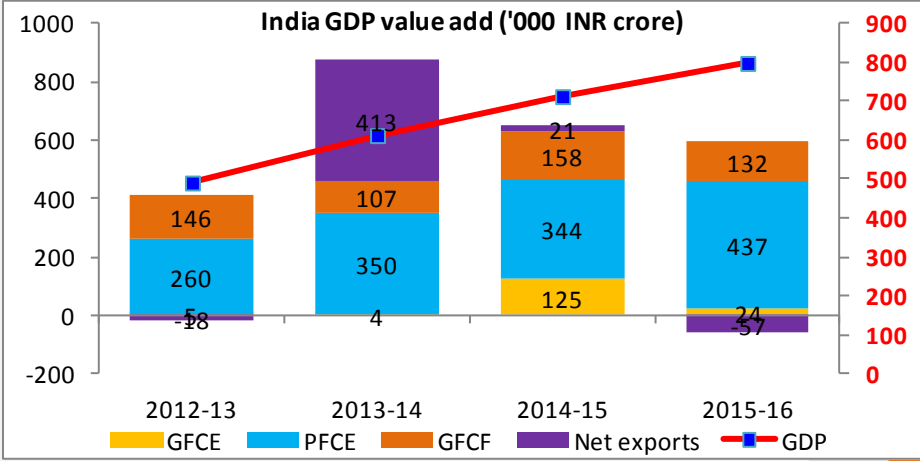
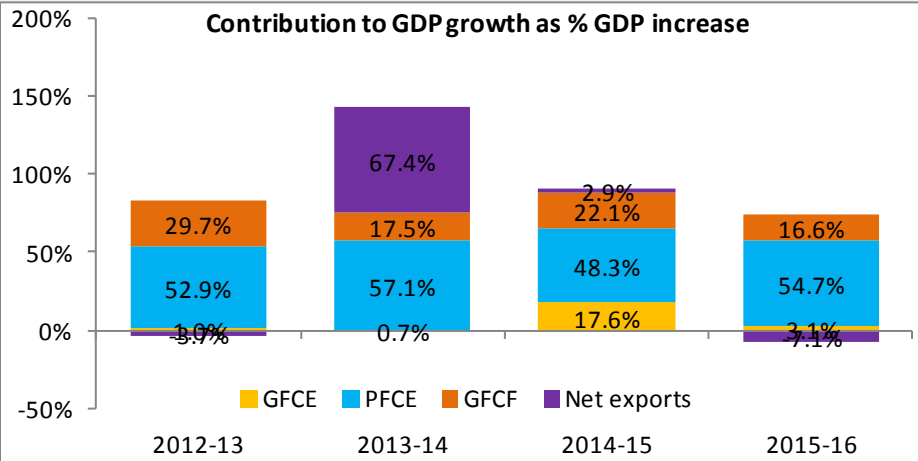
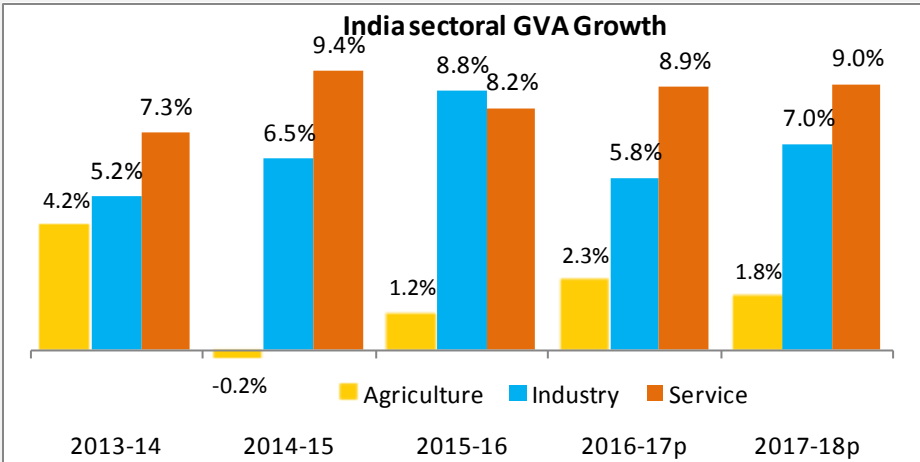
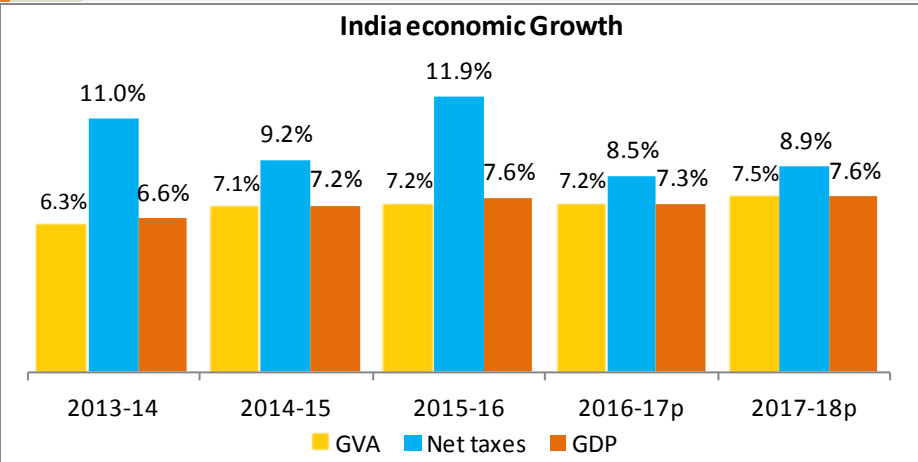
Impact of demonetization on Indian economy; Growth likely to be lower in industry sector

TransGraph



- Cash driven transport and retail business to witness more impact in the short term
- FMCG business growth to slow down in JFM as well

Demonetization to impact growth in FY'17



GFCE – Government Final consumption expenditure; PFCE – Private Final consumption expenditure
 GFCF – Gross fixed capital formation

Indian Fiscal budget targeted at 3.2% in 2017-18

	2015-16	2016 – 17 RE	2017-18 BE	2016-17 growth	2017-18 growth
Net Tax revenue to centre	9.4	10.9	12.3	15.4%	12.7%
Non-tax revenue	2.5	3.3	2.9	33.2%	-13.7%
Total revenue receipts	12.0	14.2	15.2	19.1%	6.5%
Recoveries of loans	0.0	0.1	0.1	431.5%	7.8%
Other receipts	0.4	0.5	0.7	8.0%	59.3%
Total capital receipts	0.4	0.6	0.8	27.9%	49.2%
Total receipts	12.4	14.8	16.0	19.4%	8.1%
Scheme expenditure on revenue account	5.5	6.3	6.7	15.7%	6.7%
Scheme expenditure on capital account	1.8	2.4	2.7	32.8%	13.7%
Total scheme expenditure	7.3	8.7	9.5	20.0%	8.6%
Expenditure other than schemes	10.7	11.4	12.0	7.4%	5.0%
Total expenditure	17.9	20.1	21.5	12.5%	6.6%
Fiscal deficit	5.5	5.3	5.5		
GDP	135.7	151.2	169.3		
Fiscal deficit (% of GDP)	4.06%	3.53%	3.23%		

Source: Union Budget 2017-18, INR Lakh Crore

Key Sector allocations in Union budget

	Sector	2016-17	2017-18	% change
1	Agriculture and Allied sectors	0.53	0.59	11.06%
2	Rural Development	1.15	1.29	11.84%
3	Infrastructure	3.59	3.96	10.46%
3s	of which Transport	2.17	2.41	11.29%
4	Social sectors	1.76	1.95	10.92%
4a	Education and Health	1.15	1.30	13.42%
4b	Social sectors with welfare orientation	0.61	0.65	6.25%
5	Employment Generation, Skill and Livelihood	0.15	0.17	16.16%
6	Scientific Ministries	0.34	0.37	8.95%
	Total	7.52	8.34	10.86%

Source: Union Budget 2017-18, INR Lakh Crore

India Balance of Payments indicating further build in forex reserves

India Balance of Payments (USD Bn)

Item	2012 – 13	2013 – 14	2014 – 15	2015 – 16	2016 – 17p	2017 – 2018p
Current Account						
Merchandise trade balance	-195.7	-147.6	-144.2	-130.1	-108.0	-129.0
Invisibles	107.5	115.2	116.2	107.9	100.0	109.0
Total Current Account	-88.2	-32.4	-27.9	-22.2	-8.0	-20.0
CAD as % of GDP	-5.2%	-2.0%	-1.6%	-1.3%	-0.4%	-1.0%
Capital Account						
FII	34.7	8.7	40.9	-4.1	6.0	9.0
FDI	22.4	24.3	32.6	36.0	47.0	36.0/51.0
Others*	42.6	22.4	16.4	9.2	-16.0	10.0
Total Capital Account	99.7	55.4	90.0	41.1	37.0	55.0/70.0
Balance of Payments	14.2	22.1	61.4	17.9	29.0	35.0/50.0

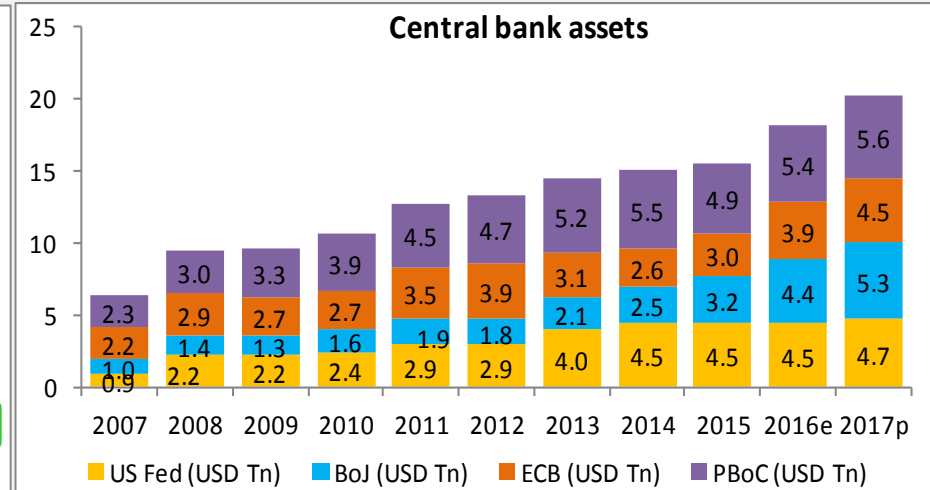
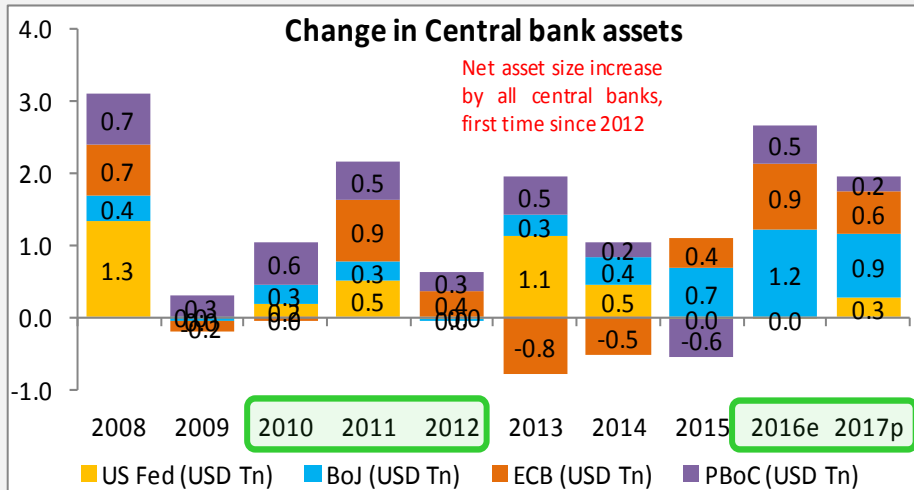
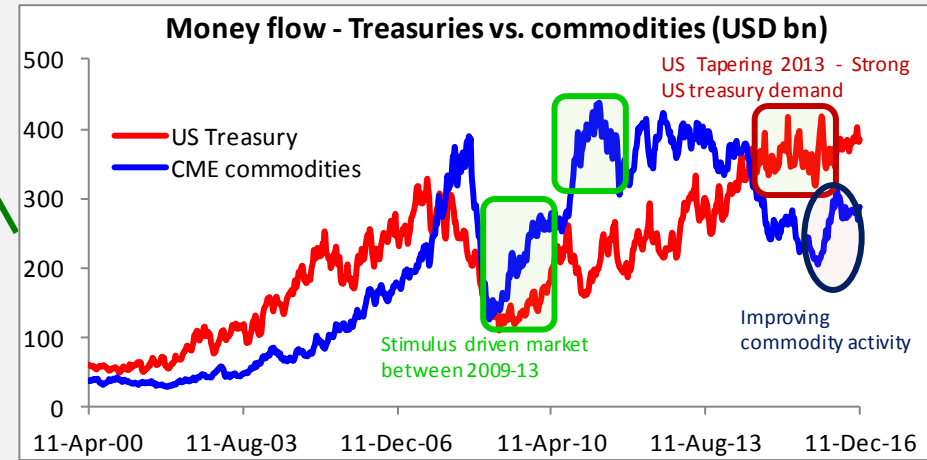
*Note: Others include net commercial borrowings, short term loans, banking capital and other capitals

Global economy



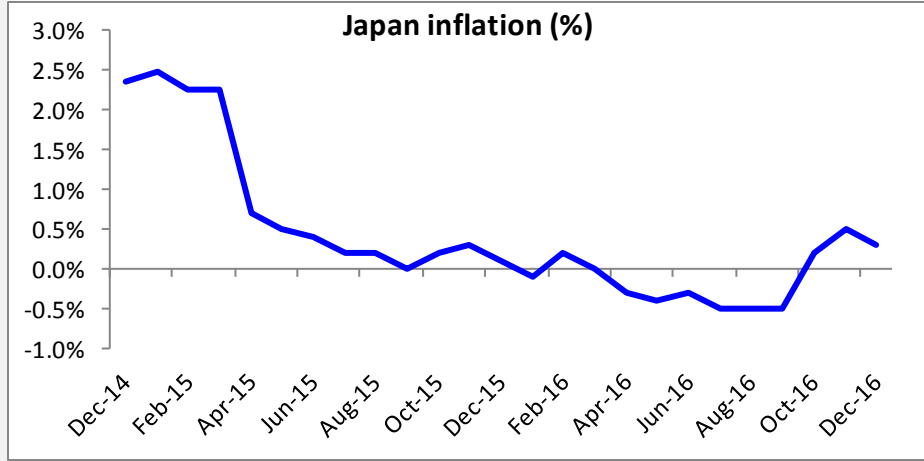
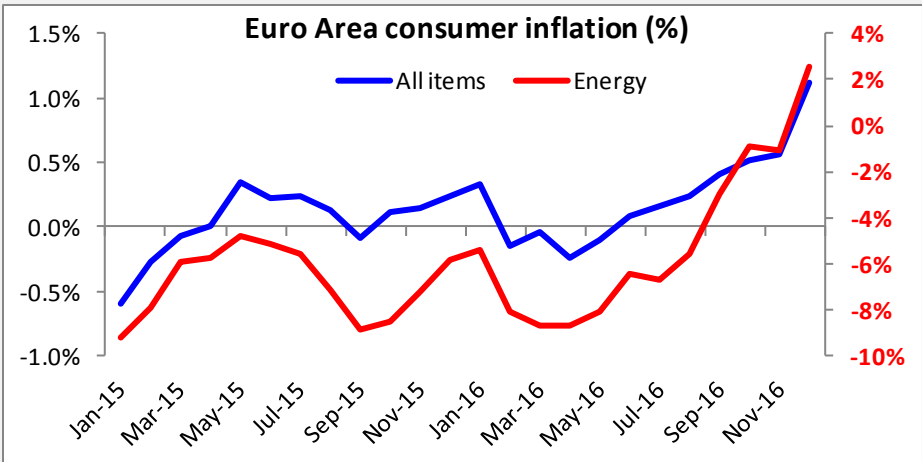
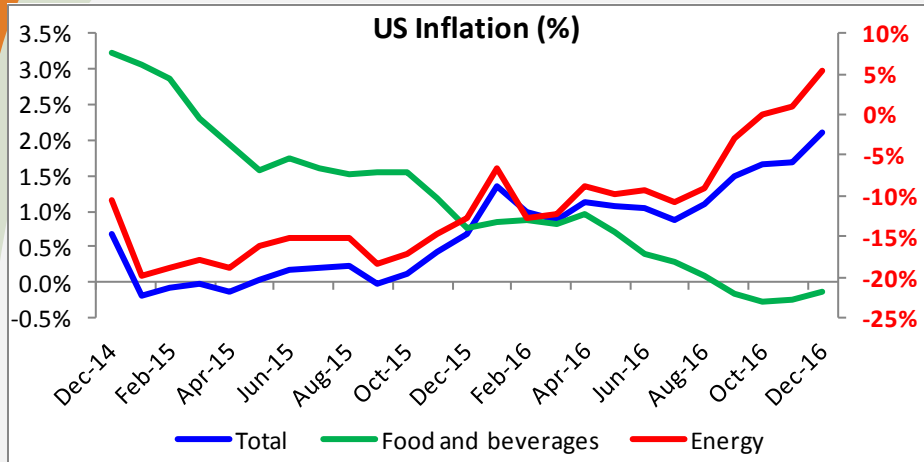
Stimulus support remains intact for treasuries and commodities

- Money flow shifting from treasuries to commodities
- 2.6 trillion USD in 2016 and 2 trillion USD in 2017: highest stimulus since last 3 years
- Net increase in assets by all central banks for first time since 2012 likely to support commodity markets



Pick up in inflation in advanced economies to lead to change in respective central banks' stance

TransGraph



- Surge in crude prices and low base effect led to sharp increase in inflation in the recent months
- Although inflation remain below the respective central banks' target levels, sharp surge may induce slight change in stance regarding the monetary guidance for 2017

Global growth – Chinese recovery underway, Euro area and India to sustain current growth

TransGraph

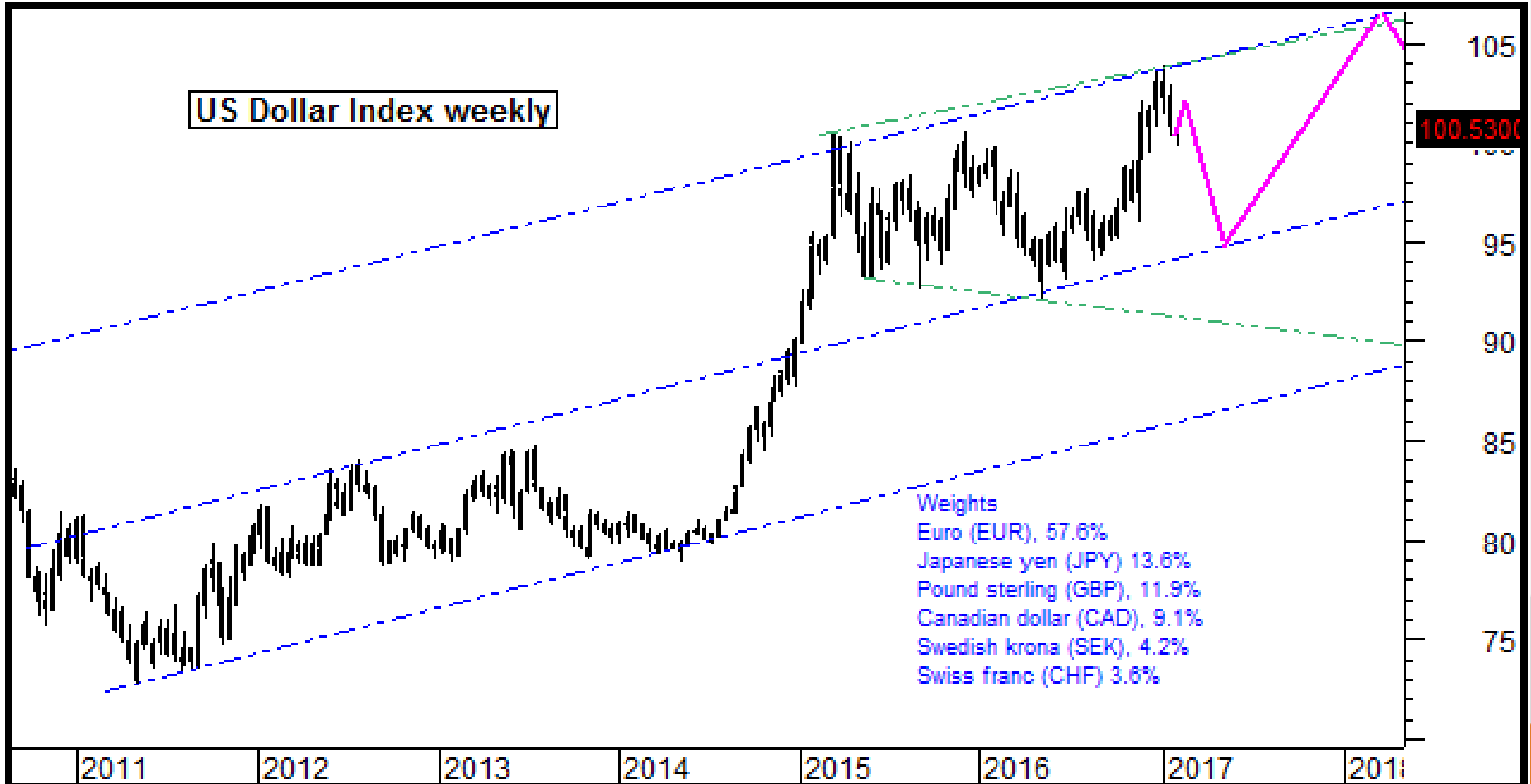
World Economic Outlook						
Region	2015e	2016e	2017p	Value (USD Bn)		
				2015	2016 growth	2017 growth
World	3.20	3.10	2.80	78065	2420	2254
Advanced economies	2.08	1.80	1.60	46566	838	758
Emerging markets	4.02	4.80	4.50	31500	1512	1486
US	2.60	1.70	1.80	16397	279	300
Euro Area	2.04	1.70	1.80	13555	230	248
Japan	0.54	0.50	-0.60	5674	28	-34
China	6.90	6.72	6.50	8862	595	615
India	7.56	7.10	7.60	2367	173	193

Source : IMF, Note: All data in % Change Y/Y, India GDP in FY terms

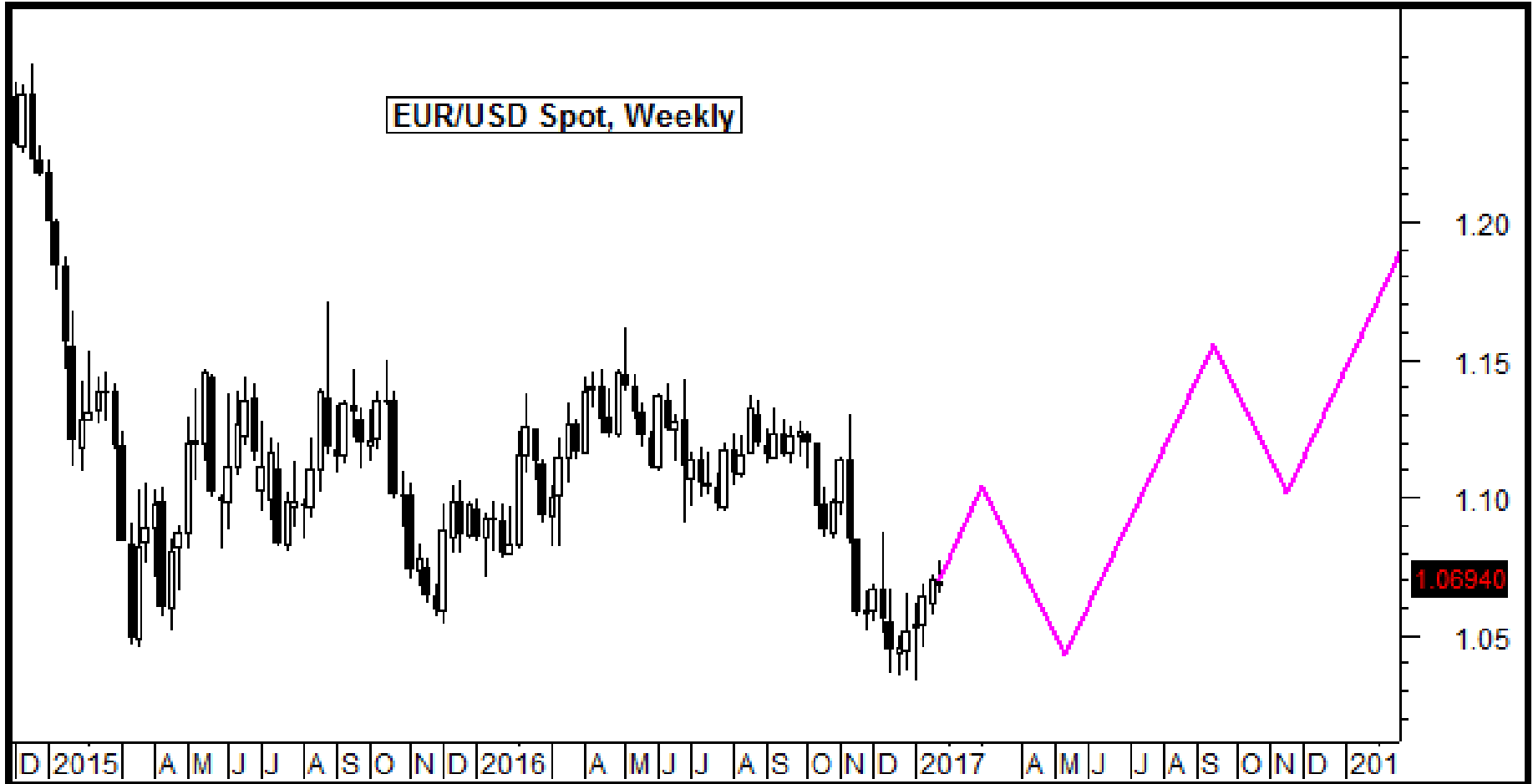
- Consolidation in Euro Area, Political Risk weights on Euro high
- Stabilization in China and India (Demonetization impact to be short-lived)
- Tax cuts and spending increase is likely to constrain US growth in 2017
- Negative real interest rates and debt ceiling to put pressure on US dollar.

Dollar Index likely to trade in the range of 103 – 96 in the coming 4-6 months

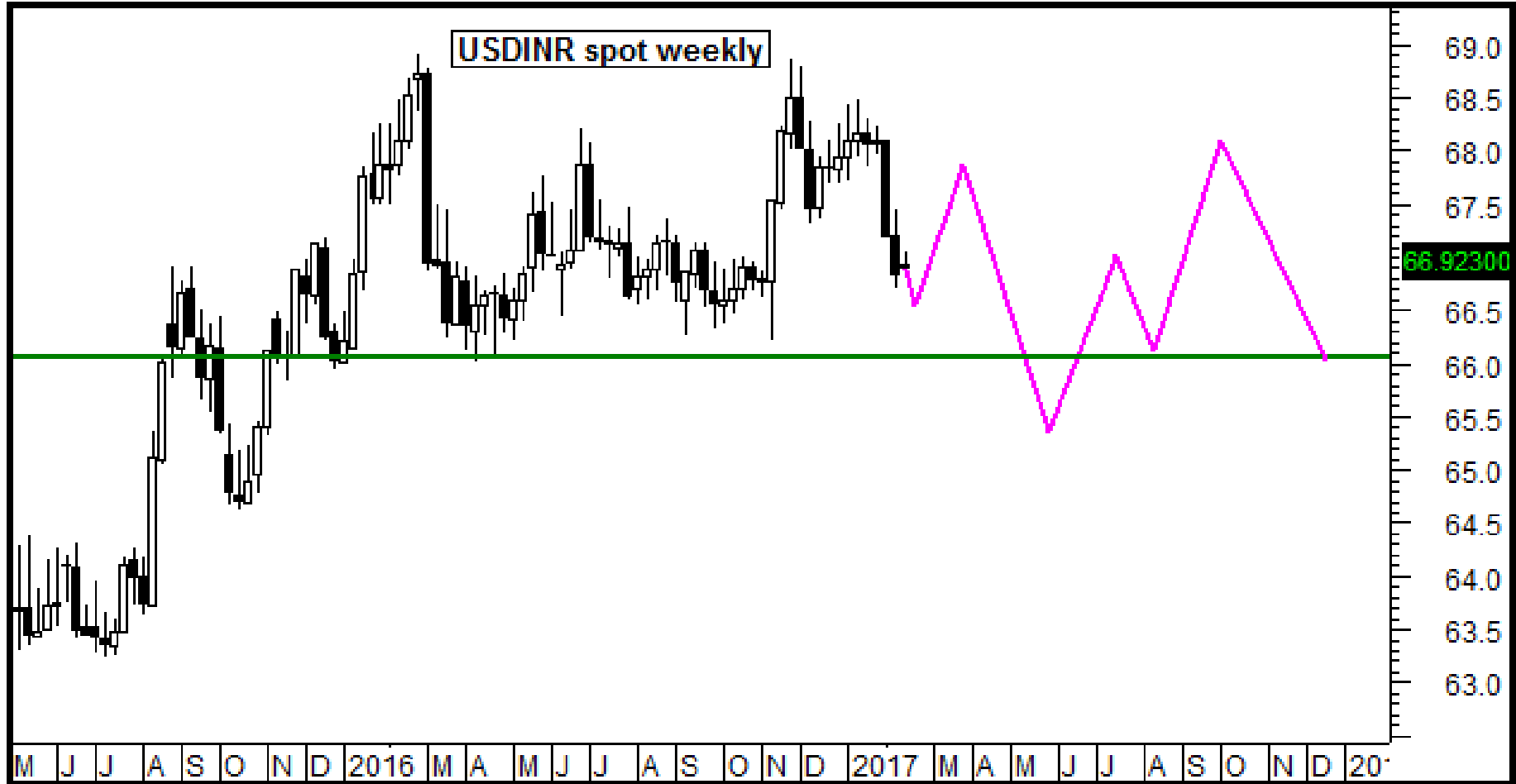
US Dollar Index weekly



Euro to trade positive towards 1.15



USDINR outlook





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