Contents

Fifth Wave

For the week ended 4th Jun – 8th Jun 2018

Global Summary	Close	High	Low	6-Mth Forward (Vs INR in % p.a.)
INR	67.5000	67.7800	66.8400	4.21%
GBP	1.3410	1.3471	1.3292	5.99%
EUR	1.1766	1.1840	1.1651	7.19%
JPY	109.5300	110.2600	109.1700	6.99%
CHF	0.9850	0.9894	0.9786	7.64%
AUD	0.7599	0.7676	0.7552	4.49%
CAD	1.2924	1.3067	1.2855	5.04%
MYR	3.9870	3.9880	3.9655	
SGD	1.3350	1.3392	1.3301	
THB	32.0300	32.0900	31.8400	
IDR	13,925	13,942	13,830	
KRW	1,073.93	1,077.85	1,064.95	
HKD	7.8456	7.8477	7.8439	
GOLD	1298	1303.08	1289.38	
SILVER	16.736	16.9	16.33	

SIX MONTH LIBOR

USD	GBP	JPY	CHF	EUR
2.48875	0.75862	0.01795	-0.6454	-0.30457

GLOBAL STOCK MARKET INDICES

Sensex	Hangseng	DJIA	Nikkei	FTSE	DAX	NASDAQ
35443.67	30958.21	25316.53	22694.5	7681.07	12766.55	7645.511
0.61%	1.53%	2.77%	2.36%	-0.27%	0.33%	1.21%

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Domestic Market

- Rupee closed the week at 67.5000 levels.
- Nikkei Services PMI for May declined to 49.6 from previous month's 51.4.
- RBI hikes repo rate by 25 basis points to 6.25%.
- FX Reserves decreased marginally to \$412.23B from \$412.82B as on 2nd June'18.

Domestic Markets

Weekly wrap up:

This week, the Indian currency traded with a weaker bias. It initially started off at 66.96 levels and immediately made a weekly high of 66.84 levels due to improved market sentiments post the robust release of US employment data. However, this strength in Rupee was short lived as the trend immediately turned north as investors remained cautious ahead of the three day RBI policy meeting. Markets 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. Further, markets abroad traded in red amidst uncertainties in the global arena after EU and Canada threatened to retaliate, if the US did not remove the recent sanctions put on them. On the next day, the local unit traded mostly in a range bound manner as the global equities and dollar index continued to trade sideways with crude trading marginally higher. Wednesday, the local unit traded in a volatile manner owing to the outcome of the RBI Monetary Policy Statement where the committee hiked rates by 25 basis points, while maintaining a neutral stance on future rates. Due to higher trading in local equities, the Indian currency appreciated to 66.89 levels. The trend however reversed on the next day owing to the opportunistic dollar buying by importers at lower levels. Also, crisis occurred in the Brazilian Markets due to political upheaval and prolonged truckers nationwide strikes which led to sharp fall in Brazilian Real. Despite the stepped up intervention by the Brazilian Central Bank Real continued to weaken. The policy makers of Brazil sold an additional \$2 billion of foreign-exchange swap contracts on Thursday apart from its usual daily offer of \$750 million. The panic spread through the other emerging market currencies including the Indian Rupee that prompted it to make a gap up opening on Friday at 67.46 levels. Also, dollar buying by importers amid outflows of foreign funds further acted as a negative factor. USDINR made a weekly low of 67.78 levels and closed the week at 67.50 levels on Friday.

Going Forward:

The upcoming week shall bring a host of volatile events along with it which could keep the Rupee in the range of 66.90 to 68.00 levels.

Rupee is likely to open around its previous closing of 67.50 levels and initial movements shall be guided by movements in Emerging markets especially Brazil. Brazil's real rose for the first time in four days on Friday, jumping more than 5 percent and leading world gains, after the central bank pledged to flood the market with foreign-exchange swaps. Traders speculate that the central bank could further increase swaps auctions, sell dollars into the spot market directly or raise interest rates to show their commitment to avoiding a disorderly rout. However, if the Brazilian Currency starts weakening further, rupee could too follow the weak trend. On the upside 67.80 shall be an immediate resistance for USD/INR.

Over the weekend we have the G7 meeting which the markets shall be cautious about considering the recent rifts caused between the US and its major trade partners after he imposed import tariffs on steel and aluminum imports last week. Since the meeting is over the weekend, the after effects of it shall be witnessed only on Monday. There is another important event on Tuesday i.e. the North Korean summit with the US which could keep the markets a bit volatile. Investors however still feel that there could be some positive outcome seen out of the meeting considering the recent soft gestures undertaken by the North Korean leader to woo the US President. Therefore, keeping all the factors in mind along with this week's performance, the Indian currency shall initially appreciate thereafter turn north for the remaining part of the week. The reason for the weakness could be attributed to the FOMC Monetary Policy Meeting which is to be held on Wednesday. There is an expectation of a rate hike in this month's policy along with an indication to the future pace of interest rates which could drive the American currency higher in turn keeping the local unit under pressure. Nevertheless, the ECB Monetary Policy on Thursday could also create some jitters in the markets. The recent comment from one of the policymakers who stated that in the upcoming policy meet there could be an indication of unwinding of the stimulus which has already pushed the Euro higher. If post ECB, Euro keeps moving higher, it could also have positive impact on rupee. Not only the events, there is a huge set of data release from India like inflation, IIP and manufacturing data along with America's CPI, retail sales data that could keep the markets and Rupee in jitters. Any unusual volatility shall invite RBI intervention so as to keep the Indian Rupee calm.

Advise:

Exporters are advised to cover their near to mid term receivables on spikes towards 67.80 and higher levels. Importers are advised to cover their near term payable (One month) on dips towards 66.90 levels.

Forward Market

Domestic Market

Likely to move higher

6 - month Premium (in Paisa)

6 month forward premia opened the week at 138.75 paisa and initially dipped lower to 137.50 paisa. Finding support at these levels, the 6 month forward premia started to move higher and touched high of 143.00 paisa. 6 month forward premia ended the week at 142.75 paisa.

Going Forward:

6 month forward premia has given a bullish close on the short term charts signaling continuation of the upmove towards 145.00 paisa. A convincing break and close above the same shall push it to 150.00 and 153.00 paisa. On the downside, key support lies at 135.00 ad 130.00 paisa. Technical indicators are signaling a bullish momentum.

Key Support: 135.00, 130.00, 126.00
Key Resistance: 145.00, 150.00, 153.00

International Markets

EUR/USD
Euro closed the week at 1.1766 levels.

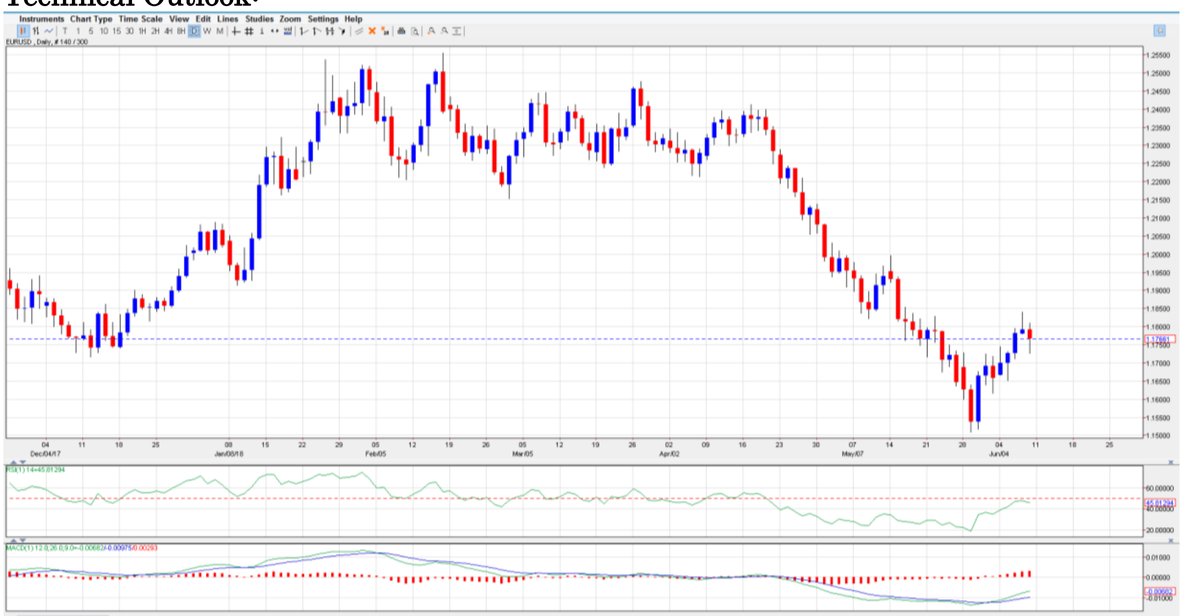
Technical
Likely to move higher after a dip

Upcoming Events
- Italian Industrial Production m/m
- Italian Quarterly Unemployment Rate
- ZEW Economic Sentiment(DE)
- ZEW Economic Sentiment
- Industrial Production m/m
- Final CPI m/m(DE)
- French Final CPI m/m
- BoE Rate Decision
- ECB Press Conference
- Final CPI y/y
- Final Core CPI y/y
- Trade Balance

Euro:

This week the Euro currency traded on a higher note. It initially started off at 1.1655 levels and thereafter traded higher as the recent tensions surrounding Italy took a backseat after the new Prime Minister of Italy said that the country shall remain in the European Union which gave a boost to the Euro currency. This positive trend was short-lived and Euro turned south after the recent import tariffs imposed on EU, Mexico and Canada by the US prompted the formers to threaten to retaliate if the US did not remove the tariffs put on them. The Euro currency made a weekly low of 1.1651 levels. On Wednesday, the trend of Euro once again reversed and turned higher after the head of Germany's central bank commented that there is a possibility the ECB could wind down its bond buying program by the end of this year which boosted the market sentiments and pushed the Euro currency higher. This positive trend continued on Thursday which led to Euro making a weekly high level of 1.1840. Also, the robust release of retail sales data from the Eurozone added to Euro's strength. On Friday, the Euro currency stabilized a bit owing to surge in global dollar on expectation that the US Feds could hike rates in the next week's FOMC policy meet. Moreover, the G7 meeting over the weekend between the US and its major trade partners kept the Euro on the sidelines. EURUSD closed the week at 1.1766 levels on Friday.

Technical Outlook:



Week ahead: Cross has given a bearish close on the daily charts while continues to signal bullishness on the weekly chart indicating a downmove initially towards 1.1640 levels. However, the pair could take support at these levels and resume its upmove targeting 1.1845 and 1.1900 levels. A convincing break and close above the same shall open the gateway for a swift move towards 1.2000 and 1.2090 levels. On the downside, further support lies at 1.1550 and 1.1500 levels. Technical indicators are signalling a bullish momentum on the medium term charts.

Key Support: 1.1700, 1.1640, 1.1550, 1.1500
Key Resistance: 1.1845, 1.1900, 1.2000, 1.2090

Advise: Importers are advised to cover their short term payables on dips towards 1.1650 levels. Exporters are advised to cover their near term receivables on spikes towards 1.1900 levels.

For the week 11th Jun – 15th Jun 2018

International Markets

GBP/USD
GBP closed the week at 1.3410 levels.

Technical

Likely to move higher after a dip

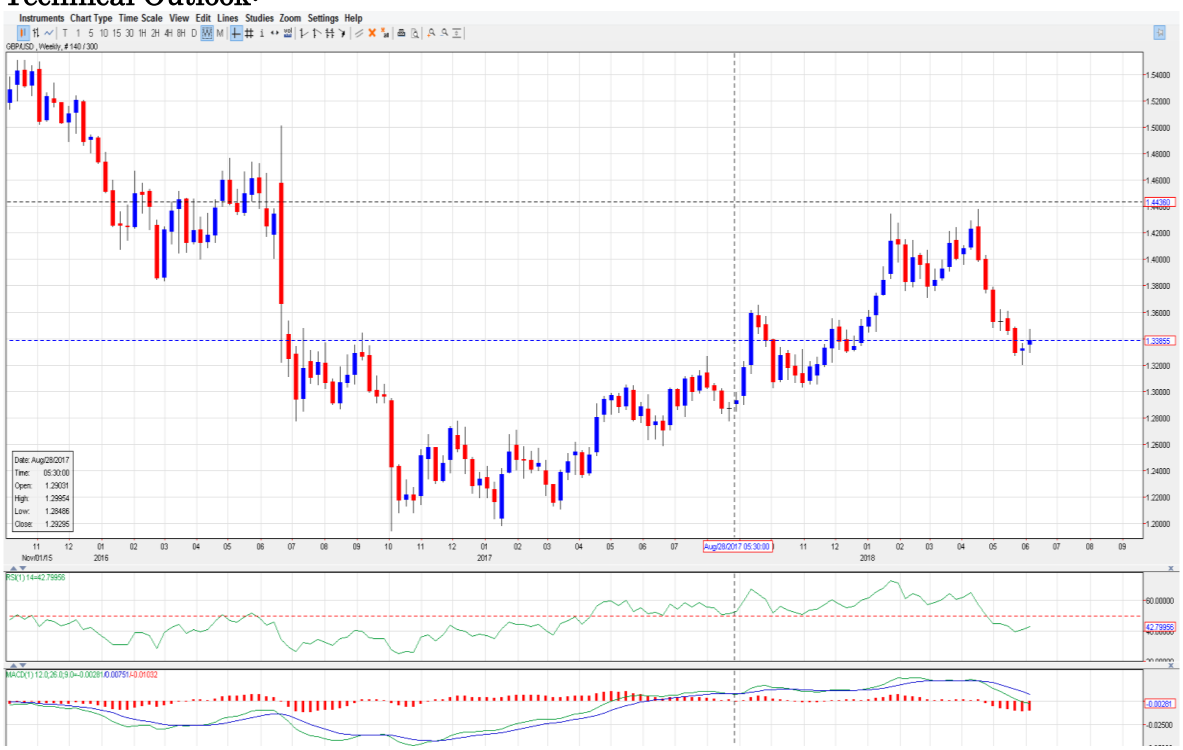
Upcoming Events

- Manufacturing Production m/m
- Goods Trade Balance
- Construction Output m/m
- Industrial Production m/m
- Unemployment Rate
- CPI y/y
- PPI Input m/m
- Core CPI y/y
- HPI y/y
- PPI Output m/m
- Retail Sales m/m

Sterling:

Pound opened the week at 1.3336 levels and dipped to its weekly low of 1.3292 levels as BREXIT negotiator warned that if there is no deal reached regarding the Irish border then it would increase the risk of messy BREXIT in October. However, Pound bounced back above 1.3400 levels on back of rise in UK Retail sales to one year high at 2.80% coupled-with Services PMI number continuing its uptrend. The gains in the Pound remained limited as US printed better than expected Services PMI number and also its Trade balance widened. Later in the week, Pound initially hit its weekly high of 1.3471 levels as UK Housing Prices rose to one and half year high at 1.50%. However, rumours that BREXIT Secretary D Davis could step down, dragged Pound lower towards 1.3400 levels. On the last trading day of the week, Pound remained cautious as G7 meeting kicked off. However, survey of analysts on Pound earlier this week indicated that they expect Pound to rise around 1.4100 levels till March next year, helped Pound to remain bullish and give close at 1.3410 levels.

Technical Outlook:



Week ahead: Cross has given a bearish close on the daily chart while has given mixed signals on the weekly chart. Hence, initially the cross is likely to move lower towards 1.3300 levels. Taking support at these levels, the pair could resume its upmove towards 1.3450 levels. A convincing break could push it to 1.3620 levels with an interim resistance at 1.3550 levels. Further resistance lies at 1.3760 levels. On the downside, further support lies at 1.3260 and 1.3200 levels. Technical indicators are signalling the same bullish momentum.

Key Support: 1.3300, 1.3260, 1.3200
Key Resistance: 1.3450, 1.3550, 1.3620

Advise: Importers are advised to cover their near term payables on dips towards 1.3270 levels. Exporters are advised to cover their short term receivables on spikes towards 1.3550 levels.

Fifth Wave

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International Markets

USD/JPY

Yen closed the week at 109.53 levels.

Technical

Likely to move higher

Upcoming Events

- Core Machinery Orders m/m
- Prelim Machine Tool Orders y/y
- BSI Manufacturing Index
- PPI y/y
- BOJ Policy Rate
- Monetary Policy Statement
- BOJ Press Conference

Japanese Yen:

Japanese Yen traded in a volatile manner this week. USDJPY started off the week at 109.49 levels and traded slightly lower owing to fading risk concerns in global arena with the Italian Prime Minister stating that the country shall remain in the European Union. This negative trend continued on the next day too after the Japanese Deputy Governor commented that the bank would not immediately start selling Japanese government bonds after the end of its stimulus scheme. He stated the first priority of the bank is to take care of the excess liquidity. The cautious BOJ is unlikely to make any prominent move considering how markets react to it. This dented the market confidence which continued on Wednesday too. USDJPY touched weekly low levels of 110.26 as markets remained cautious ahead of the GDP data from the nation that was due on Thursday. Also, the upcoming US and Japan meeting to discuss about North Korea kept the Yen under pressure. On Thursday, the disappointing release of Final GDP for the quarter ending Mar'18 that came same as the previous one i.e. -0.2 percent acted against the yen currency. However, sharp losses were capped as the crisis in Brazilian Real that depreciated by more than 5 percent on back of political crisis boosted the demand for safe haven Yen. This positive trend continued on the next day too. Markets remained cautious prior to the G7 meeting that is to be held over the weekend between the US and its major trade partners which in turn acted in favor of the Japanese yen pushing it to weekly high levels of 109.17. USDJPY closed the week at 109.53 levels on Friday.

Technical Outlook:

Week ahead: The pair is well supported around 108.60-109.00 area while has given mixed signals on the weekly chart. Hence, any support around 108.60-109.00 levels could prompt an up move in the pair towards 110.00 levels. A convincing break and close above the same shall push it to 111.45 levels with an interim resistance at 111.00 levels. On the downside, further support lies at 108.00 levels. Technical indicators are signalling a bullish momentum.

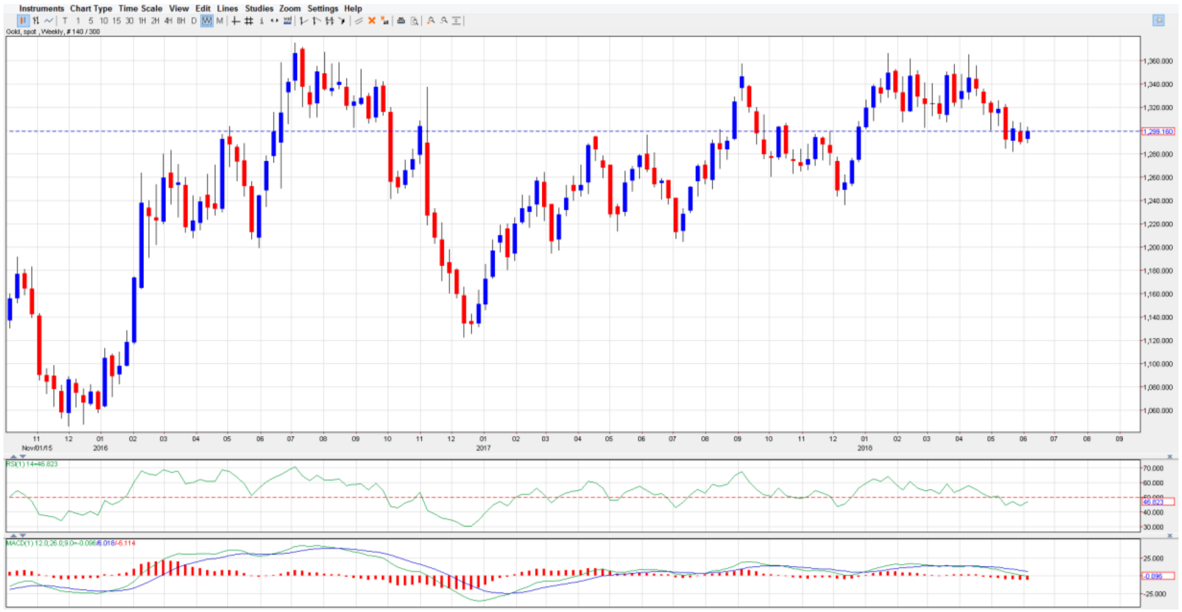
Key Support: 109.00, 108.60, 108.00
Key Resistance: 110.00, 111.00, 111.45

Advise: Exporters are advised to sell their near term receivables on dips towards 109.00 and 108.60 levels. Importers are advised to cover their near term payables in a staggered manner on spikes towards 111.00 and 111.45 levels.

International Market

Likely to move higher

Gold



Week Gone by:
Gold opened the week at 1292.76 levels and initially touched a low of 1289.38 levels. However, taking a strong support at these levels it resumed its upmove and jumped above 1303.08 levels. The yellow metal touched a high of 1289.38 before ending the week at 1292.74 levels.

Week Ahead:
The yellow metal has formed a base around 1280.00 support while has given bullish close on the short term charts signaling continuation of the upmove towards 1307.00 levels (trend line). A convincing break and close above the same shall push it to 1325.00 and 1335.00 levels. Further key resistance lies at 1365.00 levels. On the downside, further support lies at 1260.00 levels. Technical indicators are signaling the same bullish momentum.

Key Support: 1280.00, 1260.00, 1236.00
Key Resistance: 1307.00, 1325.00, 1365.00

Advise: Short term traders are advised to buy the yellow metal on dips towards 1295.00 levels targeting 1325.00 and 1345.00 levels while keeping a strict stop loss below 1280.00 levels.

Forex Calendar

Forex Calendar

Date	Time	Currency	Data	Forecast	Previous
11/06/2018	05:20	JP	Core Machinery Orders m/m	2.50%	-3.90%
11/06/2018	11:30	JP	Prelim Machine Tool Orders y/y		22.00%
11/06/2018	13:30	EU	Italian Industrial Production m/m	-0.70%	1.20%
11/06/2018	14:00	UK	Manufacturing Production m/m	0.30%	-0.10%
11/06/2018	14:00	UK	Goods Trade Balance	-11.5B	-12.3B
11/06/2018	14:00	UK	Construction Output m/m	2.40%	-2.30%
11/06/2018	14:00	UK	Industrial Production m/m	0.10%	0.10%
12/06/2018	05:20	JP	BSI Manufacturing Index	3.20	2.90
12/06/2018	05:20	JP	PPI y/y	2.10%	2.00%
12/06/2018	13:30	EU	Italian Quarterly Unemployment Rate	11.10%	11.00%
12/06/2018	14:00	UK	Unemployment Rate	4.20%	4.20%
12/06/2018	14:30	DE	ZEW Economic Sentiment	-14.60	-8.20
12/06/2018	14:30	EU	ZEW Economic Sentiment	0.10	2.40
12/06/2018	18:00	US	CPI m/m	0.20%	0.20%
12/06/2018	18:00	US	Core CPI m/m	0.10%	0.10%
12/06/2018	23:30	US	Federal Budget Balance	-119.0B	214.3B
13/06/2018	14:00	UK	CPI y/y	2.40%	2.40%
13/06/2018	14:00	UK	PPI Input m/m	1.80%	0.40%
13/06/2018	14:00	UK	Core CPI y/y	2.10%	2.10%
13/06/2018	14:00	UK	HPI y/y	4.40%	4.20%
13/06/2018	14:00	UK	PPI Output m/m	0.30%	0.30%
13/06/2018	14:30	EU	Industrial Production m/m	-0.50%	0.50%
13/06/2018	18:00	US	PPI m/m	0.30%	0.10%
13/06/2018	18:00	US	Core PPI m/m	0.20%	0.20%
13/06/2018	20:00	US	Crude Oil Inventories	-	2.1M
13/06/2018	23:30	US	FOMC Economic Projections	-	-
13/06/2018	23:30	US	FOMC Statement	-	-
13/06/2018	23:30	US	Federal Funds Rate	2.00%	1.75%
14/06/2018	00:00	US	FOMC Press Conference	-	-
14/06/2018	11:30	DE	Final CPI m/m	0.50%	0.50%
14/06/2018	12:15	EU	French Final CPI m/m	0.40%	0.40%
14/06/2018	14:00	UK	Retail Sales m/m	0.50%	1.60%
14/06/2018	17:15	EU	BoE Rate Decision	0.00%	0.00%
14/06/2018	18:00	EU	ECB Press Conference	-	-
14/06/2018	18:00	US	Core Retail Sales m/m	0.30%	0.30%

For the week 11th Jun – 15th Jun 2018

14/06/2018	18:00	US	Retail Sales m/m	0.40%	0.30%
14/06/2018	18:00	US	Initial Jobless Claims	223K	222K
14/06/2018	18:00	US	Import Prices m/m	0.50%	0.30%
15/06/2018	Tentative	JP	BOJ Policy Rate	-0.10%	-0.10%
15/06/2018	Tentative	JP	Monetary Policy Statement	-	-
15/06/2018	11:30	DE	WPI m/m	-	0.50%
15/06/2018	Tentative	JP	BOJ Press Conference	-	-
15/06/2018	14:30	EU	Final CPI y/y	1.90%	1.90%
15/06/2018	14:30	EU	Final Core CPI y/y	1.10%	1.10%
15/06/2018	14:30	EU	Trade Balance	20.2B	21.2B
15/06/2018	18:45	US	Industrial Production m/m	0.30%	0.70%
16/06/2018	01:30	US	TIC Long-Term Purchases	-	61.8B

Brazil Selloff Feeds Global Emerging-Markets Retreat

Column of the Week

Turkish lira one of few emerging-market currencies to strengthen following interest-rate increase

A sharp drop in Brazilian stocks and its currency stoked a decline in emerging-market assets Thursday, as concerns over trade tensions and a rising dollar reverberated around the world.

Brazil's Bovespa index fell 3% to its lowest level of the year and the dollar rose 1.4% against the Brazilian real to 3.9076, its highest value since early 2016. A host of other emerging markets, including South Africa, Mexico and Russia also notched big drops in their stocks or currencies.

A rallying dollar and rising U.S. bond yields have ramped up pressures in emerging markets this year, magnifying investors' concerns about some countries' economic shortcomings and prompting them to punish the assets of those deemed vulnerable. Dollar strength is a danger for some countries because it weakens their currencies and makes it more difficult to service dollar-denominated debt, while higher U.S. rates dim the allure of foreign assets.

Although past blowups in developing countries have largely been contained in recent years, Thursday's broad-based selloff shows that investors have become morewary of emerging markets as a whole, following sharp selloffs in Argentina and Turkey last month, analysts said.

For the week 11th Jun – 15th Jun 2018

Negative sentiment is "spreading to places that are not considered to be as vulnerable," said Ilya Gofshteyn, a strategist with Standard Chartered Bank. "It's looking pretty ugly across the board."

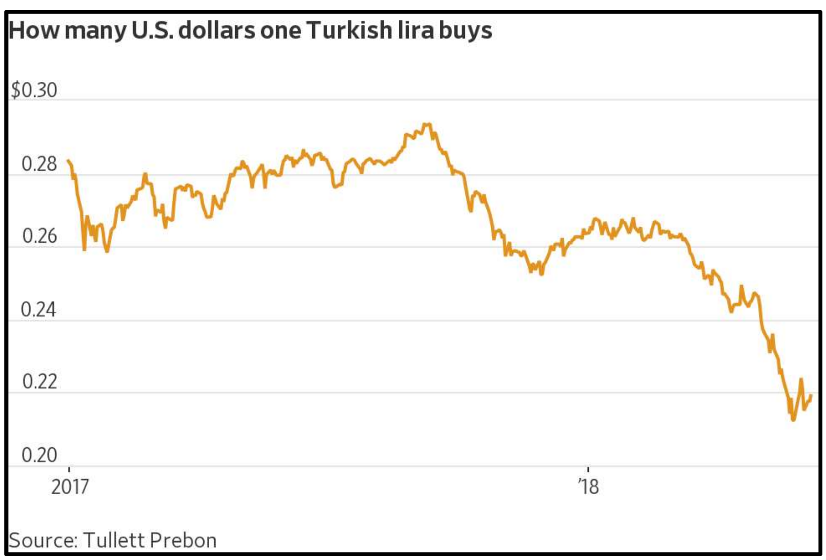
In Brazil's case, investors have become increasingly worried about recent labor strikes, shaky economic growth and a presidential election later this year, analysts said.

Exacerbating those worries are Brazil's interest rates, which stand near historic lows after a long series of cuts by the country's central bank. While low rates help boost growth, they also make it easier for investors to bet against a country's assets.

Brazil's central bank left rates unchanged for the first time in 19 months in May, citing concerns about global economic turbulence weakening the local currency. Other central banks with weak currencies, such as Argentina and Turkey, have rushed to jack up interest rates in recent weeks.

For Brazil, "the protectiveness of very high interest rates is not in evidence now," said Alan Ruskin, macro strategist at Deutsche Bank.

Trade tensions between the U.S. and its partners also weighed on emerging markets, which are sensitive to potential fluctuations in global growth. President Donald Trump, heading into this weekend's meeting of the Group of Seven industrialized nations, has signaled his intention to continue pursuing an aggressive trade agenda.



The Turkish lira was one of the few emerging-market currencies to strengthen Thursday, after Turkey's central bank unexpectedly raised interest rates by 125 basis points.

Late Thursday in New York, the dollar fell 1.6% against the Turkish lira to 4.4844. The Borsa Istanbul 100, Turkey's main stock exchange, rose 2%.

Rising consumer prices were a key factor behind the move, the central bank said in a statement. It also pledged to retain a hawkish view on monetary policy. Turkey's annual consumer-price index jumped to 12.15% in May, its highest level since November.

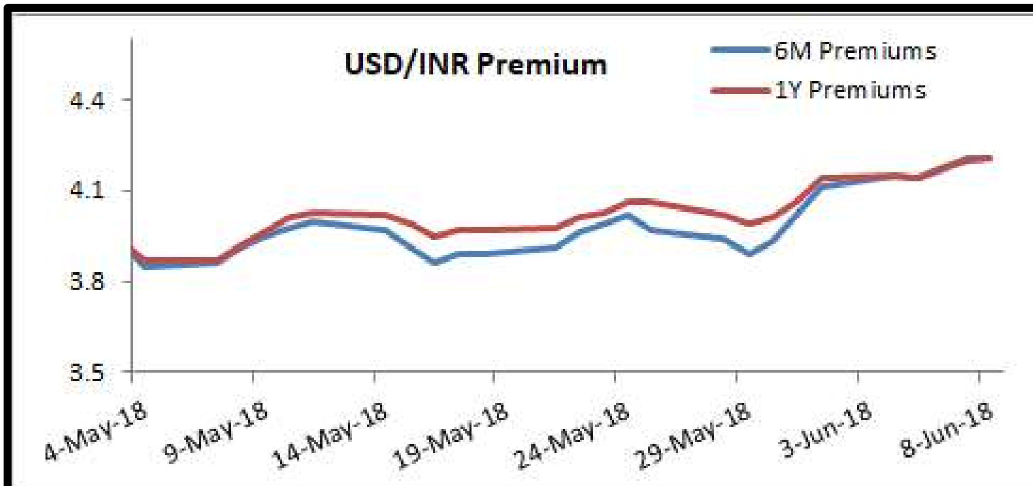
The lira's weakness was another important factor in the central bank's decision, analysts said. Turkey's currency has lost more than 20% against the dollar this year, weighed down by worries over Turkey's external debt and the independence of its central bank. The country's president, Recep Tayyip Erdogan, has in the past spoken out against tighter monetary policy.

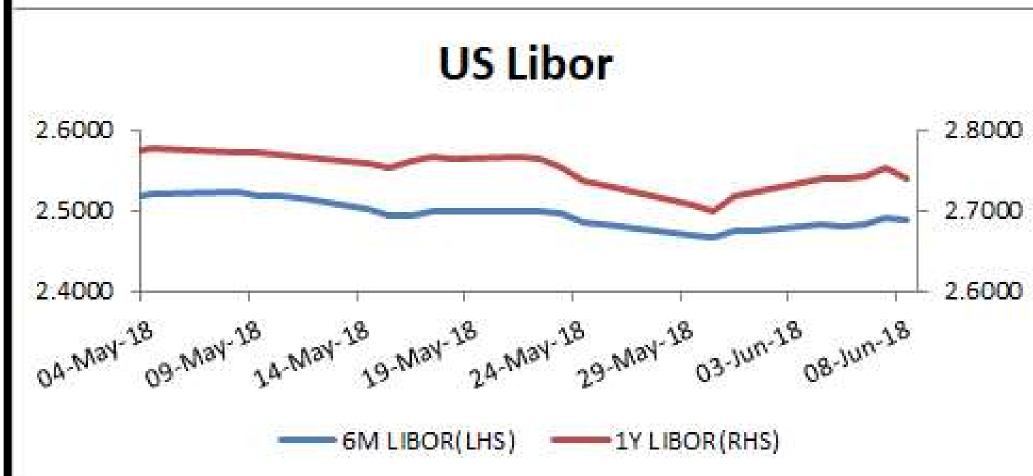
Investors are also closely watching Turkish presidential elections, which are slated for June 24.

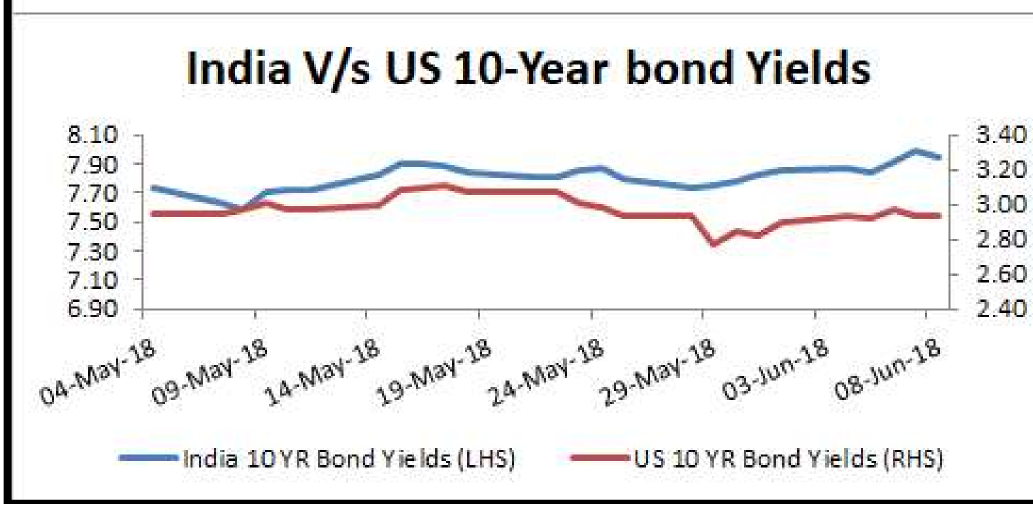
"The currency's drop was getting out-of-control and the central bank knew it had to act," said Win Thin, a strategist at Brown Brothers Harriman. "In this bearish environment, they may have not done enough yet."

Source: The Wall Street Journal

Graph'o'nomics







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Graph'o'nomics

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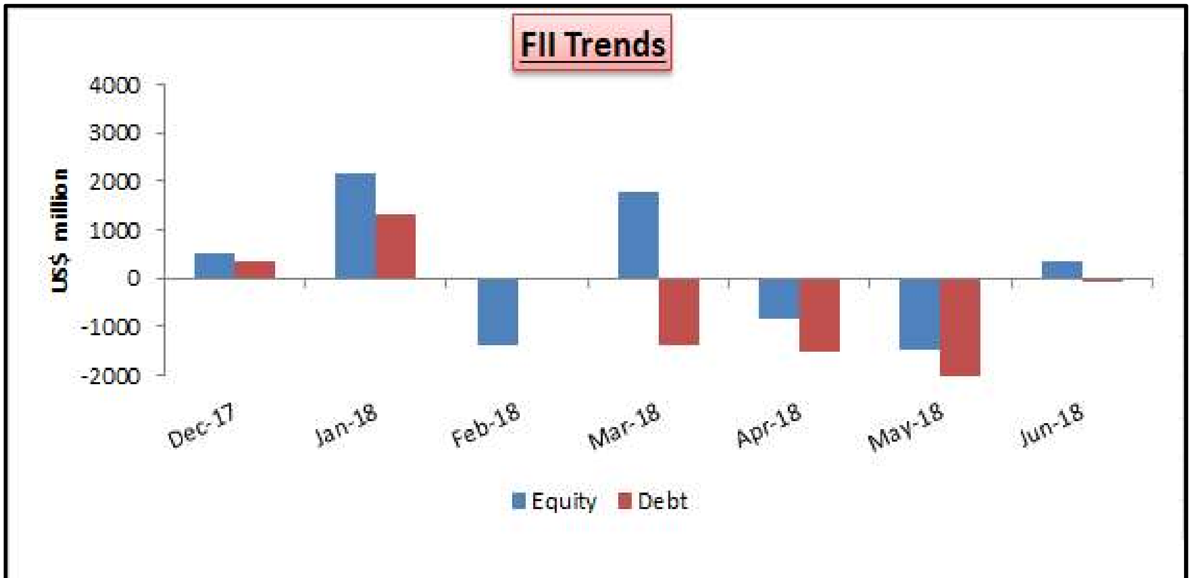

Option Pricing

Tenor	Call Option				Put Option			
	ATMF	ATMS	Forward Premium	Option Premium ATMS : Forward Premium	ATMF	ATMS	Forward Premium	Option Premium ATMS : Forward Premium
1 Month	0.44	0.55	0.24	2.29	0.44	0.32	0.22	1.45
2 Month	0.59	0.84	0.49	1.71	0.59	0.37	0.47	0.79
3 Month	0.75	1.12	0.72	1.56	0.75	0.43	0.70	0.61
6 Month	1.06	1.86	1.44	1.29	1.06	0.47	1.42	0.33
9 month	1.34	2.53	2.12	1.19	1.34	0.52	2.10	0.25
1 Year	1.59	3.21	2.85	1.13	1.59	0.55	2.83	0.19