Contents

DOMESTIC MARKET

Dollar Rupee

Forward Market

INTERNATIONAL MARKET

Euro

Pound Sterling

Yen

Gold Market

ECONOMIC CALENDER

COLUMN OF THE WEEK

GRAPH'O'NOMICS

Fifth Wave

For the week ended 13th Nov – 17th Nov 2017

Global Summary	Close	High	Low	6-Mth Forward (Vs INR in % p.a.)
INR	65.0100	65.5425	64.6200	4.52%
GBP	1.3211	1.3259	1.3060	5.72%
EUR	1.1793	1.1860	1.1636	6.82%
JPY	112.0700	113.9100	111.9300	6.58%
CHF	0.9884	0.9986	0.9845	7.36%
AUD	0.7565	0.7668	0.7533	4.27%
CAD	1.2761	1.2823	1.2675	4.94%
MYR	4.1600	4.1970	4.1550	
SGD	1.3552	1.3629	1.3528	
THB	32.8200	33.1400	32.7800	
IDR	13,525	13,557	13,510	
KRW	1,093.32	1,121.80	1,092.45	
HKD	7.8104	7.8129	7.7981	
GOLD	1294.33	1297	1270.56	
SILVER	17.306	17.373	16.81	

SIX MONTH LIBOR

USD	GBP	JPY	CHF	EUR
1.63211	0.58563	0.007	-0.6558	-0.313

GLOBAL STOCK MARKET INDICES

Sensex	Hangseng	DJIA	Nikkei	FTSE	DAX	NASDAQ
33342.8	29199.04	23358.24	22396.8	7380.68	12993.73	6782.791
0.08%	0.27%	-0.27%	-1.25%	-0.70%	-1.02%	0.47%

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Ahmedabad: 079-40603000 | Bengaluru: 080-23365500 | Chennai: 044-42859301

Delhi: 011-49456000 | Hyderabad: 040-33456050 | Kolkata: 033-22808715

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Domestic Market

- Rupee closed the week at 65.01 levels.
- FX Reserves increased marginally to \$399.29 bln as on Nov 10th from \$398.74bln.
- India's Oct CPI stood at 3.58% vs previous 3.28%.
- India's Oct WPI stood at 3.59% vs previous 2.60%.
- India's Trade Deficit increased to \$14.02 billion in October 2017 from \$8.98 billion.

Domestic Market

Weekly wrap up:

Rupee witnessed a volatile week as Dollar strength and sharply negative local equities in the initial part of the week was offset by India sovereign rating upgrade by Moody's with rupee giving wild swings between 65.55 to 64.63. Moody's upgraded India's Sovereign rating from Baa3 to Baa2.

Rupee opened the week with a negative gap around 65.37 levels tracking broad Dollar strength following a global risk-off rally on lagging U.S. tax reform bill coupled with mounting political concerns in Britain. Also weakness in Asian peers weighed on the Indian currency. The Indian equities also witnessed sharply negative sentiments as India's CPI, WPI and Trade Deficit came in worse than expected and previous numbers. India' CPI and WPI increased to 3.58% and 3.59% V/s expectations of 3.46% and 3.06% respectively. India's Trade Deficit increased to \$ 14.02 billion from previous \$ 8.98 billion. Rupee weakened to its weekly low of 65.545 levels tracking the series of poor economic releases. However, strength in crosses and opportunistic dollar selling by exporters limited weakness in the local unit. Recovery in local equities in second half of the week helped rupee to gain strength towards 65.20 levels. On the last trading of the week, surprise decision by Moody's rating agency to upgrade India's Sovereign rating from Baa3 to Baa2 led rupee to open the day with a sharply positive gap and strengthen to 64.635 levels. Robust sentiments in local equities and Indian bond markets post the upgrade aided Rupee's strength. However, short covering ahead of weekend and Dollar demand by importers along with fading of initial euphoria rating upgrade by the day end led rupee to lose its shine and give up most of its gains to end the week at 65.01 levels

Going Forward:

Rupee could open the week around 64.95-65.00 levels and may initially trade in a range of 64.80 and 65.15 levels. The decision to upgrade the ratings is underpinned by expectation that continued progress on economic and institutional reforms will, over time, enhance India's high growth potential and its large and stable financing base for government debt, and will likely contribute to a gradual decline in the general government debt burden over the medium term. FIIs may pour in money in Indian equities and bond markets as rating upgrade helps to reduce the credit risk and improve credibility of Indian instruments. If local equities continue to rejoice over rating upgrade, rupee could see gains towards 64.60 levels. However, RBI may intervene to curb sharp gains as higher trade deficit numbers due to poor export numbers – may need support of weaker currency to remain competitive. Markets may also remain skeptical about rising inflation numbers and increasing crude oil prices which shall play spoilsport in upbeat mood. The focus will also shift towards impending election in Gujarat and Himachal Pradesh. Any negatives about BJP's prospect in Gujarat election shall weigh on rupee and equities. Towards the end of the week, month end oil demand shall also start coming in the picture and push rupee towards 65.20 levels. Break of 65.20 can trigger fresh buying and take rupee towards 65.40 levels.

Overall, the Indian currency could trade in a range of 64.60-65.30 levels tracking movements in both equity and debt markets.

Advise:

Exporters are advised to hedge their short to mid-term exports on spikes towards 65.15 - 65.20 levels and wait for longer term export receivables. Importers are advised to cover their near term payable on dips towards 64.70 levels.

Domestic Market

Likely to move lower

Forward Market

6 - month Premium (in Paisa)

6 month forward premia opened the week at 147.00 paisa and blipped marginally higher towards 147.75 paisa. Facing resistance at these levels, the 6 month forward premia started to move lower and touched a low of 142.75 paisa. Taking support at these levels, the 6 month forward premia once again started to move higher and ended the week at 145.75 paisa.

.

Going Forward:

6 month forward premia has formed a bearish pattern (hanging man) on weekly charts while faces resistance at 148.50 paisa signalling an downmove towards 143.50 paisa. A convincing break and close below the same shall push it to 138.50 and 131.50 paisa. Further resistance lies at 153.00 paisa. Technical indicators are signalling a bearish momentum.

Key Support: 143.50, 138.50, 131.50
Key Resistance: 148.50, 153.00, 155.00

International Markets

EUR/USD
Euro closed the week at 1.1793 levels.

Technical

Likely to move higher after a dip

Upcoming Events

- PPI m/m (DE)
- Consumer Confidence (EU)
- Final GDP q/q (DE)
- Flash Manufacturing PMI (DE)
- Flash Services PMI (DE)
- Flash Manufacturing PMI (EU)
- Flash Services PMI (EU)
- ECB Monetary Policy Meeting Accounts

Euro:

Euro opened the week at 1.1664 levels and weakened towards its weekly low at 1.1636 levels against a broadly stronger Dollar as positive comments on tax reform from President Donald Trump lifted sentiment. Further the Dollar also broadly strengthened by a slump in sterling amid reports that UK Prime Minister Theresa May is set to face a leadership challenge. However, the Euro soon reversed losses towards 1.1805 levels after data showing that Germany's economy grew 0.8% in the third quarter thanks to strong trade and investment figures. Further investor caution was also focused towards remarks on central bank communication at an ECB-hosted conference in Frankfurt. Later in the week, Euro continued to trade stronger towards its weekly high at 1.1860 levels against the Dollar after Senate Republicans indicated that their tax overhaul plan would be linked to the repeal of a key component of Obamacare, complicating efforts to pass the bill. Demand for the euro continued to be underpinned after solid euro zone growth data which offered further evidence that the region's economic recovery remains on track, supporting the European Central Bank's move to begin reducing its bond-buying program. The Euro continued to remain strong around 1.1800 levels as Euro zone inflation came in line with market expectations in October. On the last trading day of the week, gains in Euro due to rise in the EU Current Account numbers coupled-with ECB President Mario Draghi in its speech praising the growth of the economy were offset by better than expected US Building Permits and Housing Starts data. Towards the close of the week, Dollar fell against the basket of currencies as investors remained skeptical of US Republican's efforts to pass tax cuts coupled-with investigation probing possible Russian interference in US election intensifying helped Euro to close on a bullish note at 1.1793 levels.

Technical Outlook:

Week ahead: Cross has given a bearish close on the daily charts while has held the trend resistance on the upside signalling a downmove initially towards 1.1660 levels. Only a convincing break could push it lower towards 1.1530 levels. Else a failure to break below 1.1660 levels could reverse the pair towards 1.1860 levels. Any break above the same shall dag the cross towards 1.1940 levels. Technical indicators are signalling a bullish momentum.

Key Support: 1.1660, 1.1530, 1.1460
Key Resistance: 1.1860, 1.1940, 1.2090

Advise: Exporters are advised to cover their very near term receivables on spikes towards 1.1850 levels and wait for better levels. Importers are advised to cover their near term payables on dips towards 1.1660 levels.

International Markets

GBP/USD
GBP closed the week at 1.3211 levels.

Technical

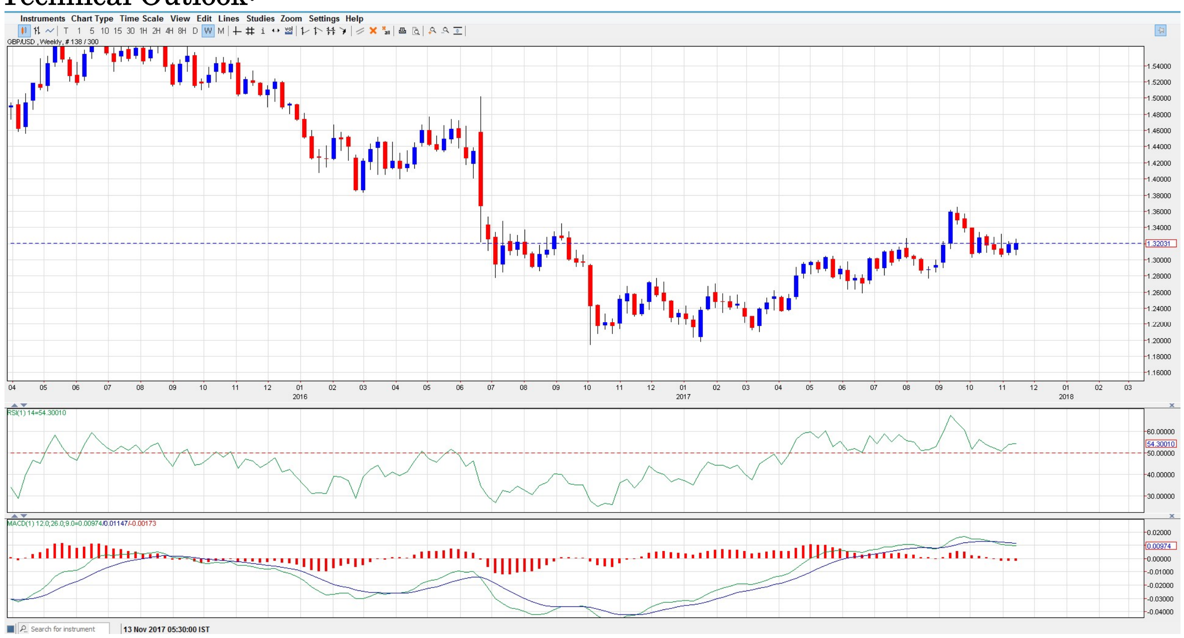
Likely to move higher after a dip

Upcoming Events

- Public Sector Net Borrowing
- CBI Realized Sales

Sterling:
Pound opened the week flat at 1.3181 levels. The Pound initially dipped to its weekly low of 1.3060 levels tracking the UK Rightmove HPI data which printed a subdued reading. Sterling later rose to 1.3186 levels as the out-performance was aided by Friday's conclusion of the latest round of Brexit negotiations, which saw David Davis tell reporters he is hopeful that "sufficient progress will be made" over the coming weeks. The Pound has enjoyed strength over recent weeks but further gains are unlikely to occur in the near term. The pound fell to 1.3073 levels following weaker-than-expected inflation data out of the United Kingdom, which raised questions as to whether interest rates would be hiked in the near term. However, the Pound experienced some improvement and traded briefly above 1.3200 levels on the release of unexpectedly upbeat retail sales figures. Retail sales for October, both on an annual as well as a quarterly basis, beat the forecast. On the last day of the week, news surfaced that the US tax cut plan for the corporate would be delayed by a year. This was seen as a setback for Trump and his team and also for the dollar as the corporate were looking to make full use of the tax cut this year. The Pair surged to a weekly high of 1.3259 levels before ending the week at 1.3211 levels

Technical Outlook:



Week ahead: Cross has given a bullish close on the weekly charts but has given mixed signals (doji) on the daily chart signaling a downmove initially towards 1.3130 levels. Taking support at these levels, the cross could resume its upmove targeting 1.3260 and 1.3330 levels. Only a convincing break and close above the same shall push it to 1.3480 levels. Technical indicators are signalling the same bullish momentum.

Key Support: 1.3130, 1.3030, 1.3000
Key Resistance: 1.3260, 1.3330, 1.3480

Advise: Importers are advised to cover their near term payables on dips towards 1.3100 levels. Exporters are advised to cover their near term receivables on spikes towards 1.3330 levels.

International Markets

USD/JPY
Yen closed the week at 112.07 levels.

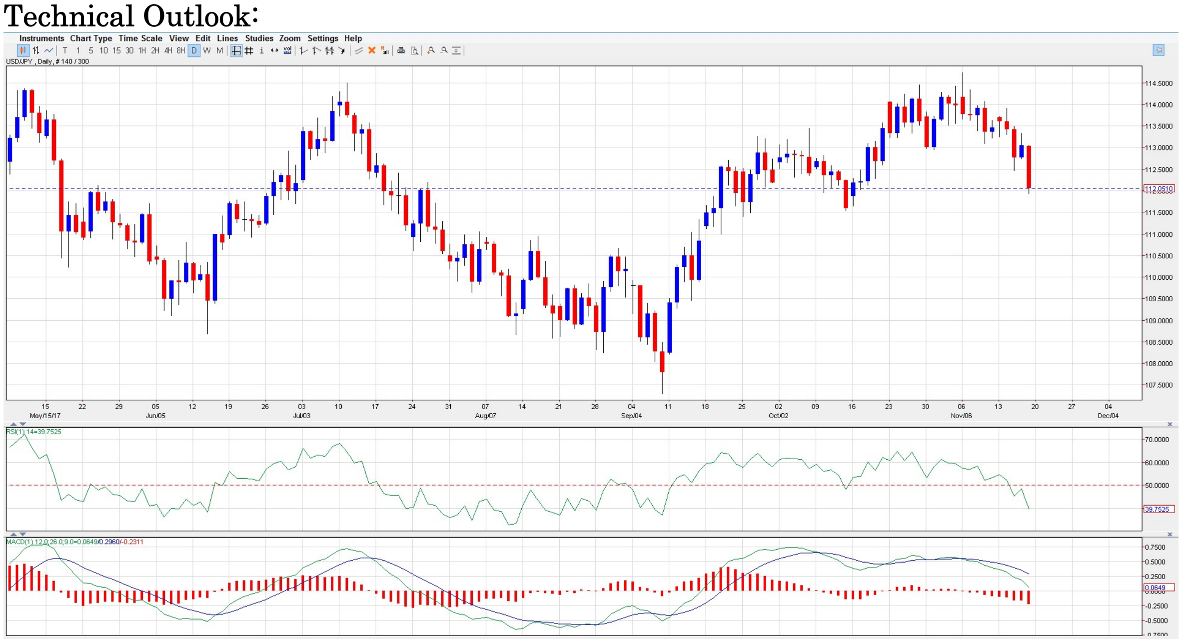
Technical
Likely to move lower

Upcoming Events

- Trade Balance
- All Industries Activity m/m
- Flash Manufacturing PMI

Japanese Yen:
The Japanese Currency unit remained positive around 113.50 levels as PPI number printed 3 year high at 3.40%. However, Yen gave up its earlier gains and hit its weekly low of 113.91 levels on back of better than expected US Producer Prices. Further, fall in Japanese growth data coupled-with US CPI and Retail Sales number printing as per market expectation kept Yen on a weaker bias. Later in the week, Yen remained range-bound between 112.50 and 113.50 levels as gains due to fall in US Jobless claims data were offset by rise in US Industrial Production numbers. On the last trading day of the week, Yen initially remained positive as Bank of Japan trimmed the buying of one-to-three year Japanese Government bonds from 280 bln Yen to 250 bln Yen. However, better than expected US Building Permits and Housing Starts data limited sharp gains in the Yen. Towards the close of the week, Dollar fell against the basket of currencies as investors remained skeptical of US Republican's efforts to pass tax cuts coupled-with investigation probing possible Russian interference in US election intensified helped Yen to touch its weekly high of 111.93 levels. Yen closed the week at 112.07 levels.

Technical Outlook:



Week ahead: The pair has formed a big bearish candle on the short term charts signalling a downmove towards 111.45 levels. A convincing break and close below the same shall push it to 110.70 and 110.00 levels. On the upside, key resistance lies at 112.50 and 113.00 levels. Further resistance lies at 113.50 levels. Technical indicators are signalling the same bearish momentum.

Key Support: 111.45, 110.70, 110.00
Key Resistance: 112.50, 113.00, 113.50

Advise: Importers are advised to cover their near term payables in a staggered manner on spikes towards 112.50 and 113.00 levels. Exporters are advised to sell their near term receivables on dips towards 110.70 levels.

Fifth Wave

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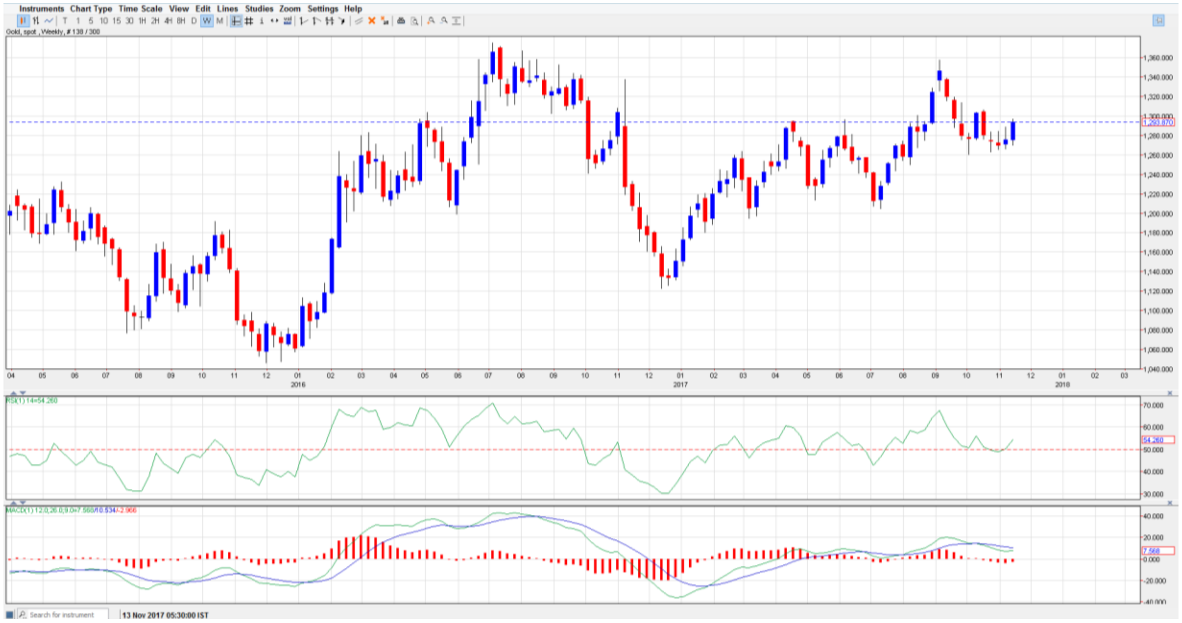
International Market

Likely to move higher

Gold



Week Gone by:

Gold opened the week at 1274.77 levels and initially moved lower to 1270.56 levels. Taking support at these levels and forming a bullish pattern, the yellow metal started to move higher and breached its key resistance of 1288.00 levels. The yellow metal touched a high of 1297.00 levels and ended the week at 1294.33 levels.

Week Ahead:

The yellow metal has given a bullish close on the daily and weekly charts signaling continuation of the upmove towards 1315.00 levels. A convincing break and close above the same shall push it to 1335.00 and 1358.00 levels. On the downside, key support lies at 1283.00 and 1262.00 levels. Technical indicators are signaling a bullish momentum.

Key Support: 1283.00, 1262.00, 1245.00
Key Resistance: 1315.00, 1335.00, 1358.00

Advise: Short term traders are advised to buy the yellow metal on dips towards 1288.00 levels targeting 1315.00 and 1335.00 levels while keeping a strict stop loss below 1270.00 levels.

Forex Calendar

Forex Calendar

Date	Time	Country	Data	Forecast	Previous
20/11/2017	05:20	JP	Trade Balance	0.21T	0.24T
20/11/2017	12:30	DE	PPI m/m	0.2%	0.3%
20/11/2017	20:30	US	CB Leading Index m/m	0.6%	-0.2%
21/11/2017	10:00	JP	All Industries Activity m/m	-0.4%	0.1%
21/11/2017	15:00	UK	Public Sector Net Borrowing	6.6B	5.3B
21/11/2017	20:30	US	Existing Home Sales	5.42M	5.39M
22/11/2017	19:00	US	Core Durable Goods Orders m/m	0.4%	0.7%
22/11/2017	19:00	US	Initial Jobless Claims	241K	249K
22/11/2017	19:00	US	Durable Goods Orders m/m	0.4%	2.0%
22/11/2017	20:30	EU	Consumer Confidence	-1	-1
23/11/2017	0:30	US	FOMC Meeting Minutes		
23/11/2017	12:30	DE	Final GDP q/q	0.8%	0.8%
23/11/2017	14:00	DE	Flash Manufacturing PMI	60.4	60.6
23/11/2017	14:00	DE	Flash Services PMI	55.2	54.7
23/11/2017	14:30	EU	Flash Manufacturing PMI	58.3	58.5
23/11/2017	14:30	EU	Flash Services PMI	55.3	55.0
23/11/2017	16:30	UK	CBI Realized Sales	5	-36
23/11/2017	18:00	EU	ECB Monetary Policy Meeting Accounts		
24/11/2017	06:00	JP	Flash Manufacturing PMI	52.6	52.8
24/11/2017	14:30	DE	Ifo Business Climate	116.6	116.7
24/11/2017	20:15	US	Flash Manufacturing PMI	55.1	54.6
24/11/2017	20:15	US	Flash Services PMI	55.5	55.3

For the week 20th Nov – 24th Nov 2017

Column of the Week

Moody's Upgrades India Rating After 13 Years Betting On PM Modi's Reforms, Markets Up

Moody's said it was lifting India's rating to Baa2 from Baa3 and changed its rating outlook to stable from positive, saying that at the Baa2 level risks to India's credit profile were broadly balanced.

Moody's Investors Service raised India's sovereign rating for the first time since 2004, overlooking a haze of short-term economic uncertainties to bet on the nation's prospects from a raft of policy changes by Prime Minister Narendra Modi.

The rupee, bonds and stocks rallied after the ratings firm upgraded India to Baa2 from Baa3 and said reforms being pushed through by PM Modi's government will help stabilize rising levels of debt. That's a one-level shift from the lowest investment-grade ranking and puts India in line with the Philippines and Italy.

"This is an overdue correction," PM Modi's Chief Economic Adviser Arvind Subramanian told Bloomberg Quint, referring to the upgrade. "This is a recognition of India's macro-economic reforms. But it has also to be kept in mind that these are external factors. And the government will pursue its own reform agenda. And those will drive our economic development."

India's Peers

These are the economies also rated Baa2 by Moody's

	Gross debt-to-GDP	Gross national savings (as % of GDP)
India	68.7	28.6
Oman	44.5	19.7
Italy	133	19.6
Spain	98.7	22.5
Colombia	48.5	21.7
Uruguay	59.8	17.3
Phlippines	33.9	25.7
Panama	40	40.2
Bulgaria	24.6	22.5

Source: Moody's data compiled by Bloomberg, International Monetary Fund
* Refers to IMF estimates for 2017

Bloomberg

Image credit: Bloomberg

Some investors termed it a surprise given that India recently surrendered its status as the world's fastest-growing major economy amid sweeping policy change. The upgrade could prove to be a big win for ruling party BJP, which has faced increasing attacks about the economic slowdown before key elections in PM Modi's home state Gujarat next month.

"This is a positive surprise to the markets, especially in terms of timing," said Vivek Rajpal, a rates strategist at Nomura Holdings Inc. in Singapore. "One fear that was developing in the market was debt-flow positioning."

The rupee surged as much as 1 percent to 64.67 per dollar in Mumbai while the yield on the 10-year sovereign bond tumbled 11 basis points to 6.96 percent and the benchmark equity index rose 1.25 percent. Markets have welcomed the move, with the Sensex rising over 400 points on Friday morning at 33,520 and the Nifty gaining 120 points.

Ease of Business

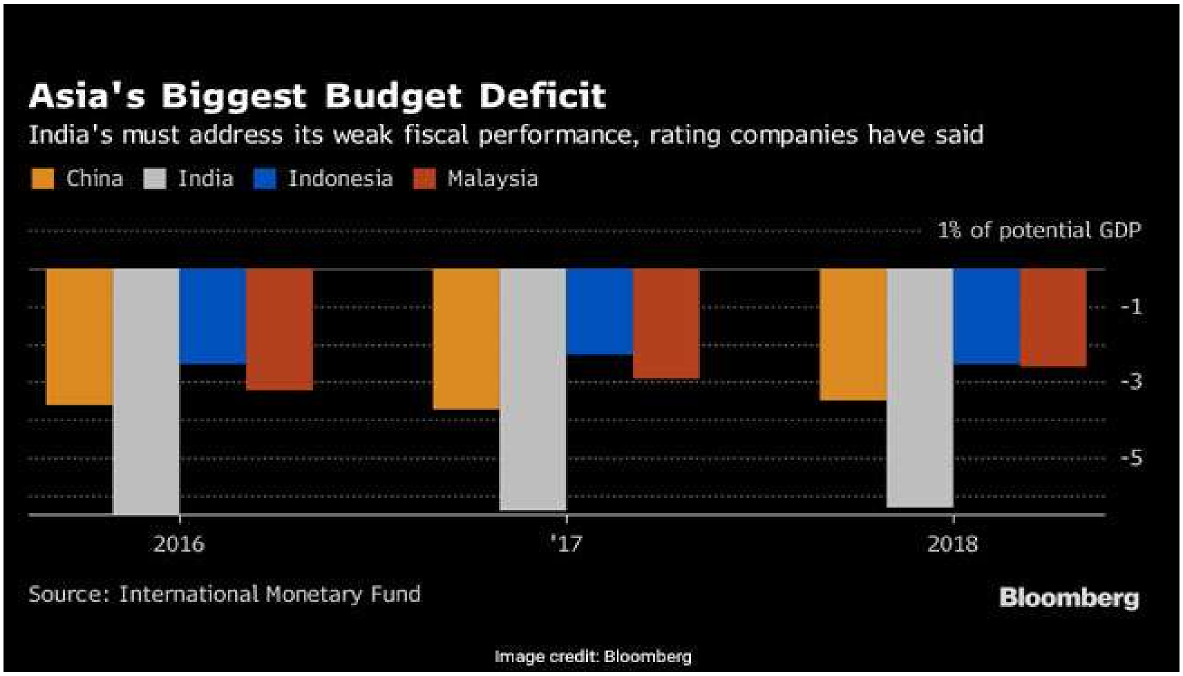
PM Modi has pushed through sweeping reforms, with mixed results. Last year's removal from circulation of almost 90 percent of the nation's currency weighed on growth. Expansion in gross domestic product slipped below 6 percent in the April-June quarter, sparking expectations that the government will need to announce a fiscal stimulus package to boost activity.

Other measures -- such as efforts to cut red tape and the imposition of a new consumption tax -- have met with mixed success. The government won praise from ratings firms for a $32 billion program to recapitalize banks that economists say will revive lending and stoke demand on the ground.

The World Bank has acknowledged it's getting easier to do business in India, with Asia's third-largest economy jumping 30 places to rank 100th in the latest ranking released last month. Earlier this week, Pew Research Center said PM Modi remained a popular leader and public confidence in the economy and the overall direction had improved.

Debt Burden

Moody's cited the goods and services tax, which it said will promote productivity by removing barriers to interstate trade, improvements to the monetary policy framework, measures to clean up non-performing loans, and efforts to bring more areas into the formal economy.



"While India's high debt burden remains a constraint on the country's credit profile, Moody's believes that the reforms put in place have reduced the risk of a sharp increase in debt, even in potential downside scenarios," according to the firm's release.

It noted most of the measures will take time for their impact to be felt, while some -- such as GST and demonetization -- have undermined growth in the near term. Moody's forecast GDP growth of 6.7 percent for the fiscal year ended March 2018, with a pick up to 7.5 percent in the following year and "similarly robust" levels from 2019 onward.

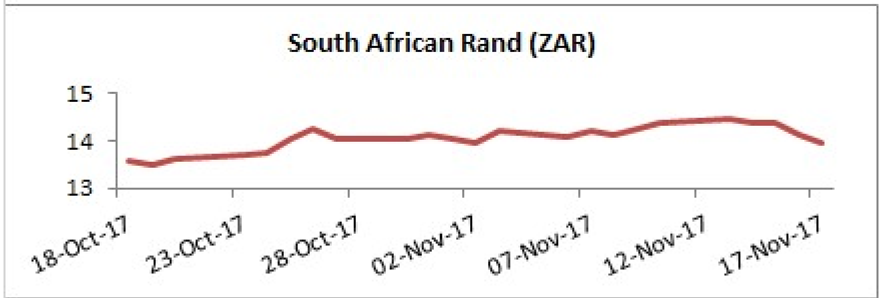
Those are likely to help restore some investor confidence in Indian assets after a big sell-off in the past few weeks.

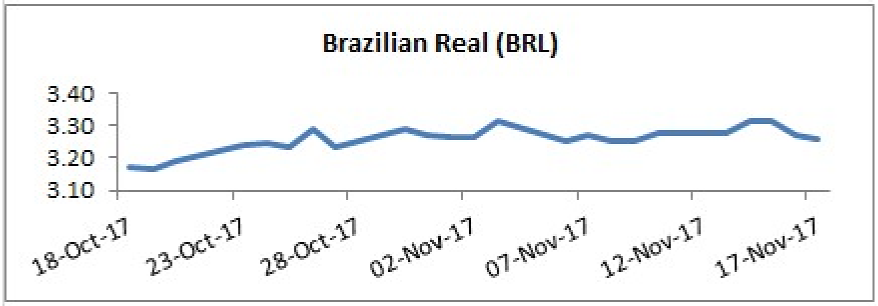
Moody's is looking through the near-term political cycle ahead of state polls when "populism may overshadow reform momentum," according to Vishnu Varathan, Singapore-based head of economics and strategy at Mizuho Bank Ltd. The afterglow from the upgrade won't last long given the emerging signs of quickening inflation and a widening current account and fiscal deficit, Varathan said.

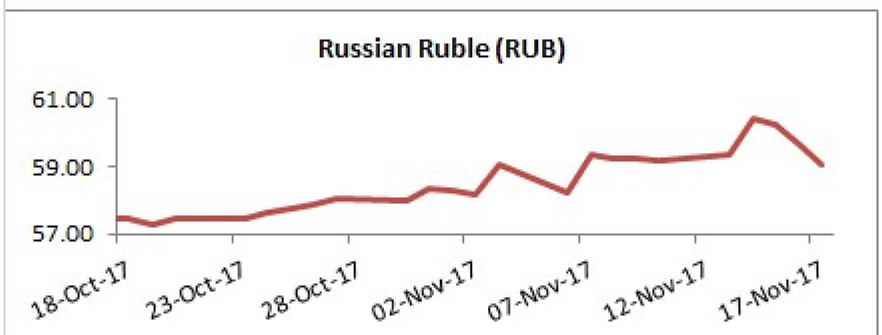
Source: NDTV

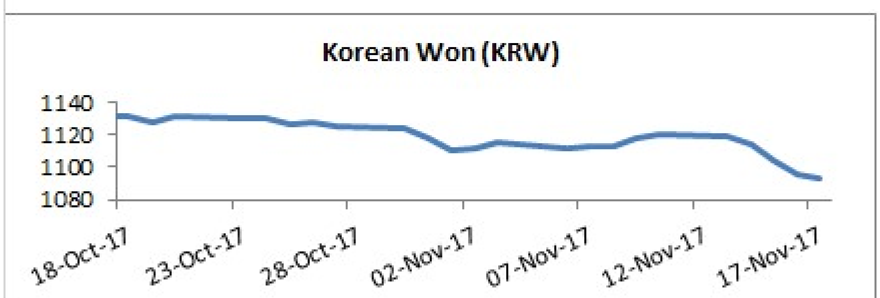
Graph'o'nomics

Emerging Market Currencies









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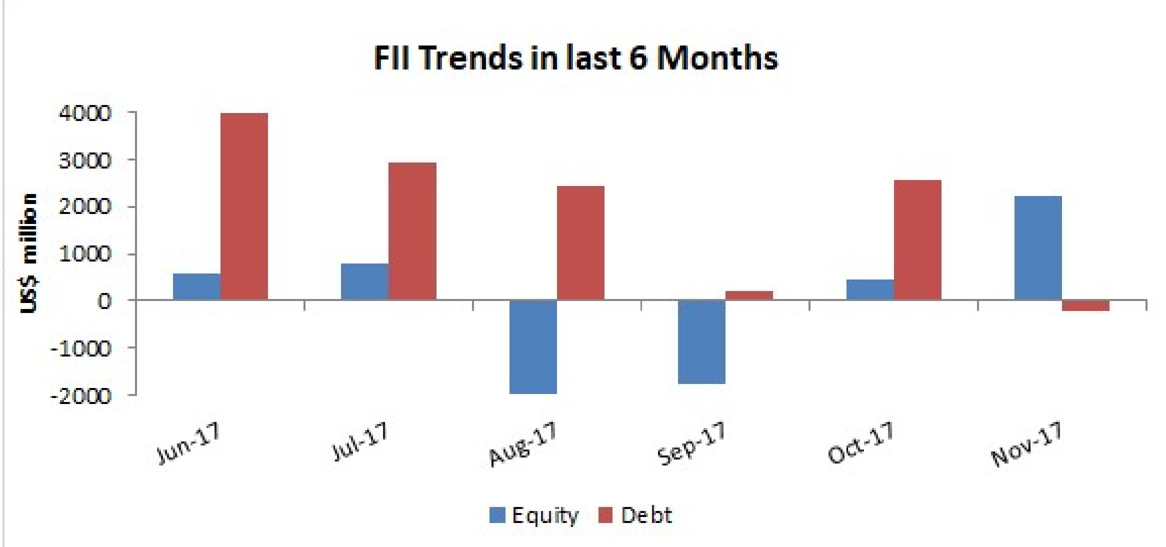

Option Pricing

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	0.36	0.48	0.25	1.92	0.36	0.24	0.23	1.04
2 Month	0.51	0.76	0.49	1.55	0.51	0.29	0.47	0.62
3 Month	0.64	1.02	0.72	1.42	0.64	0.32	0.70	0.46
6 Month	0.99	1.82	1.47	1.24	0.99	0.41	1.45	0.28
9 month	1.30	2.54	2.16	1.18	1.30	0.49	2.14	0.23
1 Year	1.58	3.23	2.85	1.13	1.58	0.56	2.83	0.20