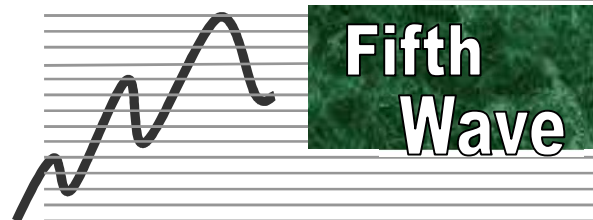


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COLUMN OF THE WEEK

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For the week ended 18th Dec – 22nd Dec 2017

Global Summary		Close	High	Low	6-Mth Forward (Vs INR in % p.a.)	
	INR	64.045	64.74	63.935	4.28%	
	GBP	1.336	1.342	1.3307	5.74%	
	EUR	1.1857	1.1901	1.1736	6.88%	
	JPY	113.26	113.63	112.3	6.65%	
	CHF	0.9891	0.9917	0.9826	7.48%	
	AUD	0.7715	0.772	0.7638	4.18%	
	CAD	1.2731	1.2918	1.2693	4.86%	
	MYR	4.077	4.088	4.062		
	SGD	1.3435	1.3496	1.3426		
	THB	32.74	32.9	32.49		
	IDR	13560	13587	13535		
	KRW	1076.74	1091.2	1075.15		
	HKD	7.8176	7.8289	7.8107		
GOLD		1274.61	1275.98	1252.3		
SILVER		16.35	16.421	15.95		
SIX MONTH LIBOR						
USD		GBP	JPY	CHF	EUR	
1.83363		0.57706	0.01233	-0.651	-0.32071	
GLOBAL STOCK MARKET INDICES						
Sensex	Hangseng	DJIA	Nikkei	FTSE	DAX	NASDAQ
33940.3	29578.01	24754.06	22902.76	7592.66	13072.79	6959.96
1.43%	2.53%	0.42%	1.55%	1.36%	-0.23%	0.34%



Mumbai: 022-25715001

Ahmedabad: 079-40603000

Bengaluru: 080-23365500

Chennai: 044-42859301

Delhi: 011-49456000

Hyderabad: 040-33456050

Kolkata: 033-22808715

Domestic Market

Weekly wrap up:

Rupee opened the week at 64.15 levels ahead of start of counting of votes for Gujarat and Himachal Pradesh state elections and traded positive initially. However, the rupee and equities took a sharp turn as the leads results started coming with both BJP and Congress going neck on neck in the morning. At one point, leads indicated that in Gujarat, Congress leaped ahead of BJP numbers and was moving closer to majority. This led to sharp fall in equities as the Sensex tumbled 867.34 points, or 2.59 per cent, to 32,595.63 and Nifty slumped 258.45 points, or 2.50 per cent, to 10,074.80 in early trade. The rupee plunged 68 paise to 64.72 against the dollar as the loss in Modi's home turf could have been a big jolt for his Government's future in 2019 general elections. However, as the day passed and counting continued, the BJP regained the lead and finally won though with a reduced majority compared to last elections. This helped improve the sentiment and both equities and rupee recovered sharply. The equities ended positive while rupee recovered to sub 64.10 levels. With even Himachal Pradesh voting heavily in favor of BJP, rupee continued to gain further and hit its weekly high of 63.93 levels. In the remaining part of the week, rupee remained in a very narrow range of 64.00-64.15 levels as volumes were low globally with Christmas and New Year approaching. Also, the cross currencies traded with caution ahead of passage of US tax bill reforms. Rupee ended the week with flattish bias at 64.0450 levels.



For the week 26th Dec – 29th Dec 2017

Domestic Market

- Rupee closed the week at 64.0450 levels.
- FX Reserves increased to \$401.38 bln as on Dec 15th from \$400.89 bln.

Going Forward:

Coming week shall be mostly quiet as lack of important economic datasets from India and abroad could keep the trading volumes a bit light. However, year-end profit booking could keep the local equities in red in turn influencing the trend of the Indian currency towards negative side. Any sharp weakness could invite dollar selling by exporters and banks.

The year 2017 is finally coming to an end giving by plenty of events to the markets to cash on. It started with the after effects of demonetization, going on to modification in the Taxation Law of India, then embracing the US rate hike and RBI rate cut and finally ending with the twist and turns in the recent Indian Legislative Elections where BJP made a narrow win. That being said, the last week of 2017 however shall be mostly less exciting for the Indian markets. Reason being all the major economies would go on a leave due to Christmas and New Year holidays giving less fodder for speculation. Rupee could continue to trade the holiday truncated week in a range of 63.90-64.20 for broader part of the week with reduced cues from Global events. Nevertheless, there is a possibility that the Indian currency could see a weakness towards 64.30 levels considering year-end profit booking by foreign institutional investors who have pumped in over \$30,586 million since the start of the year. However, any major uptick could invite dollar selling by exporters towards the end of week especially the IT companies who would be having their quarter end conversions which could push the Rupee towards 63.80 levels.

Advise:

Importers are advised to hedge very near-term payable on dips towards 63.90 and lower levels while Exporters are advised to wait for spikes above 64.30 levels keeping a stop loss of 63.80.

Forward Market

6 - month Premium (in Paisa)

6 month forward premia opened the week at 142.50 paisa and initially blipped marginally higher to 142.75 paisa. Facing resistance at these levels, the 6 month forward premia started to move lower and touched a low of 136.25 paisa. 6 month forward premia ended the week at its low of 136.75 paisa.

Going Forward:

6 month forward premia has given a bearish close on the short term charts signalling continuation of the downmove towards 135.00 paisa. A convincing break and close above the same shall push it to 130.00 paisa. On the upside, key resistance lies at 142.50 paisa. Technical indicators are signalling a bearish momentum.

Key Support: 135.00, 130.00, 127.00

Key Resistance: 142.50, 146.50, 150.00



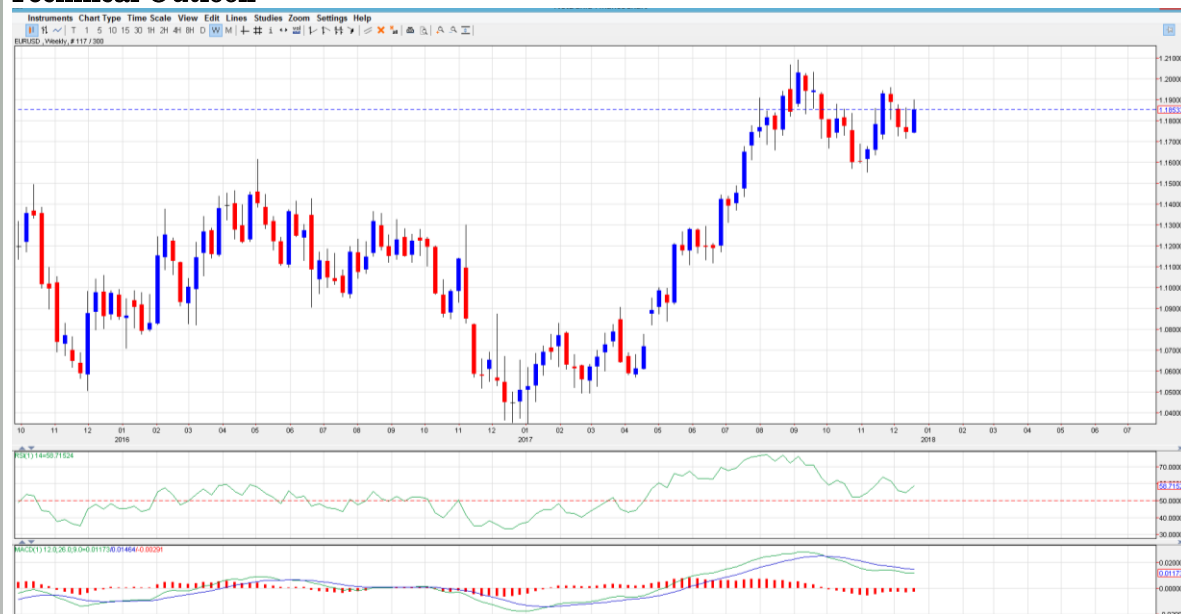
For the week 26th Dec –29th Dec 2017

Domestic Market

Likely to move lower

Euro:

Euro opened the week at 1.1753 levels and weakened towards its weekly low of 1.1736 levels after Euro zone inflation data came in below the European Central Bank's target rate. However, after the meager dip, the European unit strengthened towards its weekly high at 1.1901 levels with the Dollar held steady as investors remained cautious regarding progress on the U.S. tax reform front and as they awaited the release of U.S. housing sector data. Further, the Euro continued to hold strong as the Catalans go to the polls to elect their new regional parliament. However, the Euro soon reversed gains after US Existing home sales surged 5.6% to a seasonally adjusted annual rate of 5.81 million units last month. Further, the European unit weakened towards 1.1815 levels as it came under pressure after a Catalan vote which resulted in a victory for separatists, sparking fresh concerns over political turmoil in Spain. Further, the Dollar broadly remained stronger after the House of Representatives gave their final approval to the biggest U.S. tax overhaul in 30 years, marking President Donald Trump's first political victory. The Euro recovered towards the closing owing to profit booking ahead of long weekend and ended the week at 1.1857 levels.

Technical Outlook:

Week ahead: Cross has given a bullish close on the short term charts signalling continuation of the upmove towards 1.1930 levels. A convincing break and close above the same shall push it to 1.2000 levels. Further resistance lies at 1.2090 levels. On the downside, key support lies 1.1710 levels. Technical indicators are signalling a bearish momentum.

Key Support: 1.1710, 1.1640, 1.1530

Key Resistance: 1.1930, 1.2000, 1.2090

Advise: Exporters are advised to cover their near term receivables in a staggered manner on spikes towards 1.1930 and 1.2000 levels. Importers are advised to cover their near term payables on dips towards 1.1750 levels.

For the week 26th Dec – 29th Dec 2017

International Markets

EUR/USD

Euro closed the week at 1.1857 levels.

Technical

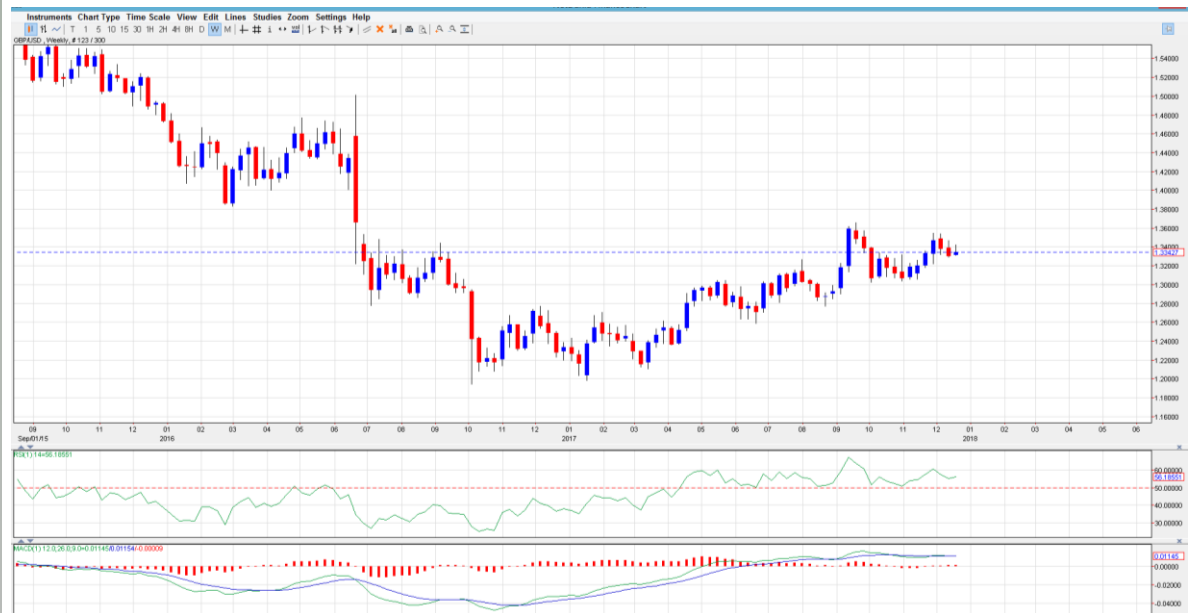
Likely to move higher

Upcoming Events

- Prelim CPI m/m(DE)
- Spanish Flash CPI y/y
- M3 Money Supply y/y

Sterling:

The Cable currency initially started off the week at 1.3325 levels and after an initial dip to its weekly low of 1.3307 levels, started rising on the back of optimism surrounding the Brexit Negotiations. Apparently after much discussions, Britain and the European Union agreed to carry forward with phase two discussion pertaining to trade and transition. In the mid-week, the Cable currency made a weekly high of 1.3420 levels on account of weak US Dollar Index ahead of the crucial vote on US tax reforms that was to be held later in the day as per London time. The tax bill was then finally approved by Houses thereby infusing optimism in the markets. This dented the demand for the Cable. On the last day, Cable traded a bit volatile as traders responded to the release of key economic reports from the UK and the latest developments in Catalonia's independence. UK's GDP data came on the same note which did not cause any major move. However, the Catalanian Election outcome did influence the currency pushing it slightly lower towards 1.3346 levels. GBPUSD closed the week at 1.3360 levels.

Technical Outlook:

Week ahead: Cross has given a bearish close on the daily charts while has formed a bullish pattern (inverted hammer) on the weekly charts needing confirmation. Hence, initially the cross is likely to move lower towards 1.3300 levels. Taking support at these levels, the cross is likely to move higher towards 1.3460 and 1.3530 levels. Further resistance lies at 1.3650 levels. On the downside, further support lies at 1.3215 and 1.3120 levels. Technical indicators are signalling a bullish momentum.

Key Support: 1.3300, 1.3215, 1.3120, 1.3030

Key Resistance: 1.3460, 1.3550, 1.3650

Advise: Importers are advised to cover their near term payables on dips towards 1.3320 levels. Exporters are advised to cover their near term receivables on spikes towards 1.3530 levels.



International Markets

GBP/USD

GBP closed the week at 1.3360 levels.

Technical

Likely to move higher

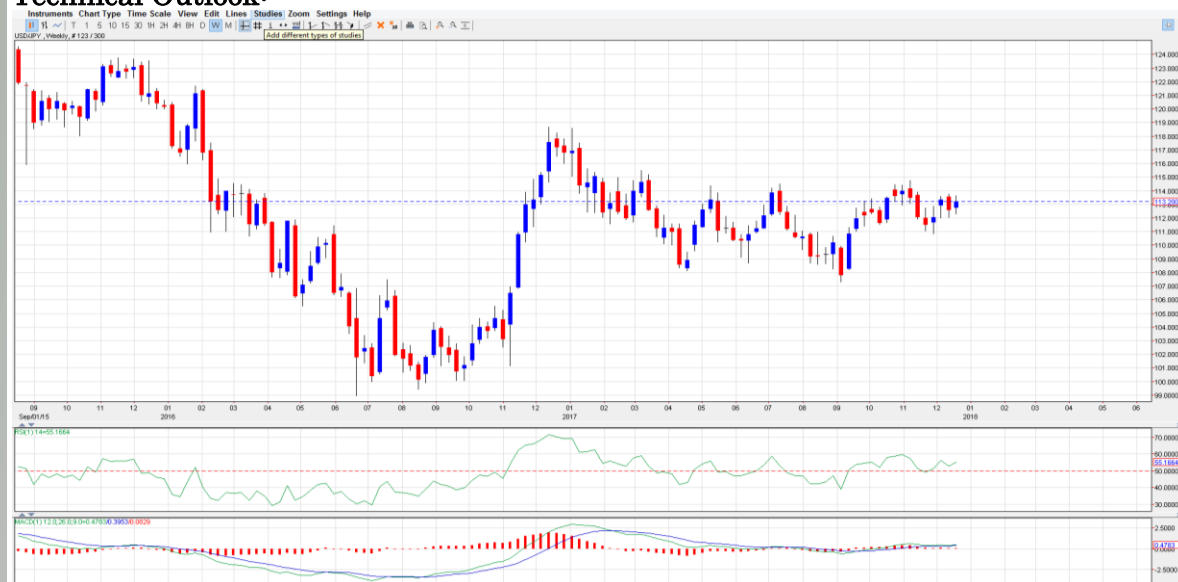
Upcoming Events

- No major data

Japanese Yen:

The Japanese unit opened the week at 112.62 levels and soon appreciated towards its weekly high at 112.30 levels after the official Japanese trade balance came in at JPY 113.4 billion (US\$ 1billion) when a deficit of JPY 40 billion had been expected. Exports rose a perky 16.2% on the year but imports rose by a lower than expected 17.2%. This may help the Bank of Japan desperately trying to stoke some consumer demand and thereby perhaps some inflation. But a roundup of corporate pricing expectations from the BoJ itself released at the same time made rather grim reading on this score. However, the Japanese Yen soon reversed its gains after better than expected housing data in the US where housing starts rose by 3.3% from October. Further, the House of Representatives approved the biggest U.S. tax overhaul in 30 years added to the continuous Dollar strength. The Japanese Yen weakened towards its weekly low at 113.63 levels after Bank of Japan Governor Haruhiko Kuroda reinforced expectations that the BOJ was in no hurry to move away from its ultra-loose monetary policy. Speaking after the BOJ held interest rates steady as widely expected, Kuroda said his earlier reference to a “reversal rate” did not indicate a change in his thinking on monetary policy. On the last trading day of the week the Japanese unit continued to trade in a narrow range as trading volumes were low due to impending Christmas and New year holidays in major markets. The Japanese unit closed the week at 113.26 levels.

Technical Outlook:



Week ahead: The pair has formed a bearish pattern (shooting star) on the daily charts while has given a bullish close on the weekly charts signalling a downmove initially towards 112.90 levels. Only a convincing break and close below the same shall push it to 112.50 levels. However, any support towards 112.90 levels shall reverse the trend in the cross towards 113.50 and 114.30 levels. Further key resistance lies at 115.30 levels. Technical indicators are signalling a bullish momentum.

Key Support: 112.90, 112.50, 111.65

Key Resistance: 113.50, 114.30, 115.30

Advise: Importers are advised to cover their near term payables on spikes towards 114.30 levels. Exporters are advised to sell their very near term receivables on dips towards 112.90 levels.

International Markets

USD/JPY

Yen closed the week at 113.26 levels.

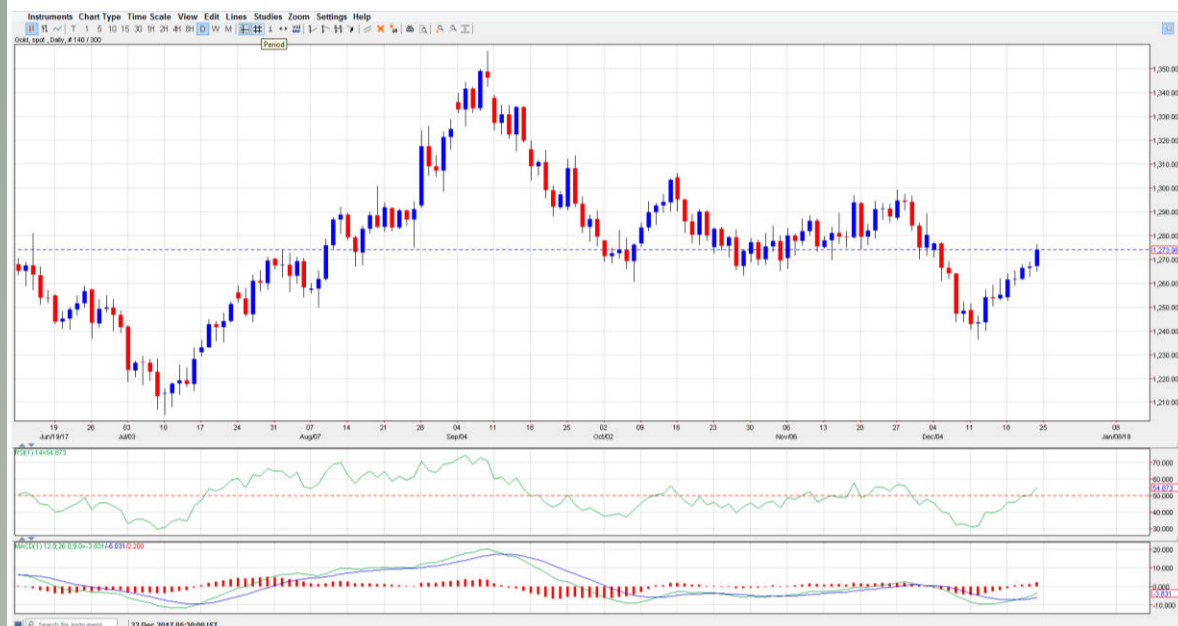
Technical

Likely to move lower initially

Upcoming Events

- Prelim GDP q/q

Gold

**Week Gone by:**

Gold opened the week at 1253.40 levels and initially dipped lower towards 1252.30 levels. Forming a bullish pattern on daily charts, the yellow metal started to move higher and touched a high of 1275.98 levels. The yellow metal ended the week near its high at 1274.61 levels.

Week Ahead:

The yellow metal has given a bullish close on the daily and weekly charts signaling an upmove towards 1284.00 and 1300.00 levels. Only a convincing break and close above the same shall push it to 1315.00 and 1335.00 levels. Further resistance lies at 1354.00 levels. On the downside, key support lies at 1265.00 and 1235.00 levels. Technical indicators are signaling the same bullish momentum.

Key Support: 1265.00, 1235.00, 1220.00

Key Resistance: 1284.00, 1300.00, 1335.00

Advise: Short term traders are advised to buy the yellow metal on dips towards 1268.00 levels targeting 1300.00 and 1335.00 levels while keeping a strict stop loss below 1235.00 levels.

For the week 26th Dec – 29th Dec 2017

**International
Market**

**Likely to move
higher**

Forex
Calendar

Forex Calendar

Date	Time	Country	Data	Forecast	Previous
26/12/2017	05:00	JP	Household Spending y/y	0.60%	0.00%
26/12/2017	05:00	JP	National Core CPI y/y	0.80%	0.80%
26/12/2017	05:00	JP	Tokyo Core CPI y/y	0.70%	0.60%
26/12/2017	05:00	JP	Unemployment Rate	2.80%	2.80%
26/12/2017	05:20	JP	Monetary Policy Meeting Minutes	-	-
26/12/2017	09:30	JP	BOJ Gov Kuroda Speaks	-	-
27/12/2017	20:30	US	CB Consumer Confidence	128.20	129.50
27/12/2017	20:30	US	Pending Home Sales m/m	-0.40%	3.50%
28/12/2017	05:20	JP	Prelim Industrial Production m/m	0.50%	0.50%
28/12/2017	05:20	JP	Retail Sales y/y	1.10%	-0.20%
28/12/2017	10:30	JP	BOJ Core CPI y/y	-	0.50%
28/12/2017	19:00	US	Initial Jobless Claims	241K	245K
28/12/2017	19:00	US	Goods Trade Balance	-67.6B	-68.3B
28/12/2017	21:30	US	Crude Oil Inventories	-	-6.5M
29/12/2017	All Day	DE	Prelim CPI m/m	0.50%	0.30%
29/12/2017	13:30	EU	Spanish Flash CPI y/y	1.50%	1.70%
29/12/2017	14:30	EU	M3 Money Supply y/y	4.90%	5.00%

For the week 26th Dec – 29th Dec 2017

Trump's tax bill: US Senate passes reform legislation

The Republican-controlled U.S. House of Representatives gave final approval on Wednesday to the biggest overhaul of the U.S. tax code in 30 years, sending a sweeping \$1.5 trillion tax bill to President Donald Trump for his signature.

Republicans say the tax cuts for corporations, small businesses and individuals will boost economic growth.

Democrats, who all voted against it, say it is designed to benefit the ultra-rich at the expense of the national deficit.

What will the bill do?

Corporate taxes will be set at 21%, instead of the current rate of 35%.

The bill will also lower individual tax rates, albeit temporarily.

Other key elements include:

- **Less inheritance tax**
- **An expanded child tax credit**
- **Lower taxes on overseas profits**

Parties strictly divided

The vote has kept to party lines: Republicans in favour, Democrats in protest.

Republicans have majorities in both houses of Congress. The House earlier approved the bill comfortably, 227 to 203. In the Senate, it was 51 to 48.

Democrat leader Chuck Schumer warned Republicans that they would pay a price for the "awful legislation" in next year's mid-term elections.

Speaker Paul Ryan remained wholly enthusiastic, saying: "We are giving the people of this country their money back. This is their money after all!"

Who are the winners and losers?

The tax reform is good news for businesses, particularly multinational corporations and the commercial property industry.

The extremely wealthy and parents sending their children to private schools are set to benefit.

However, families living in high-tax, high-cost states could lose out, so could those paying for their own health insurance.

In the immediate future, the plan will see the vast majority of tax payers having lower tax bills, but the cuts expire in 2025.

By 2027, the Tax Policy Center estimates that the overall change would be negligible. And 53% of taxpayers would face higher bills, many of them in the lower income brackets.

It could also be bad news for Alaskan animals as the bill attached a measure to open drilling in parts of the Arctic that have been protected for environmental reasons since 1960.

Analysis: One final swoop

It wasn't exactly easy, but President Trump now has his signature legislative achievement. The self-styled dealmaker-in-chief was finally able to flex his party's majority muscle, overcoming internal dissent to accomplish some long-sought political goals.

Subject to a vote in the House, Republicans have reduced taxes by more than \$1.4 trillion (£1tn) over 10 years, including significant changes to the corporate tax structure.

Congressional conservatives also opened the Arctic National Wildlife Refuge to oil drilling - a pitched partisan battle for years. And it set a bomb at the heart of Obamacare by ending the tax penalty for those who don't have medical insurance starting in 2019.

What one Congress can do another can undo, of course, and the task ahead for Republicans is selling a sceptical public on the benefits of their plan.

While they may argue that Americans will come around once they see lower tax bills, many may have already made up their mind.

Like Obamacare eight years ago, this tax legislation was passed by partisan muscle alone. And like that law, many Americans view the legislation as largely benefitting others. They will be difficult to convince otherwise.

Repealing key provisions of this tax law will be as uniting for Democrats as healthcare repeal was for conservatives.

Donald Trump and Republicans have their victories. They will have to fight to keep them.

How is the rest of the world affected?

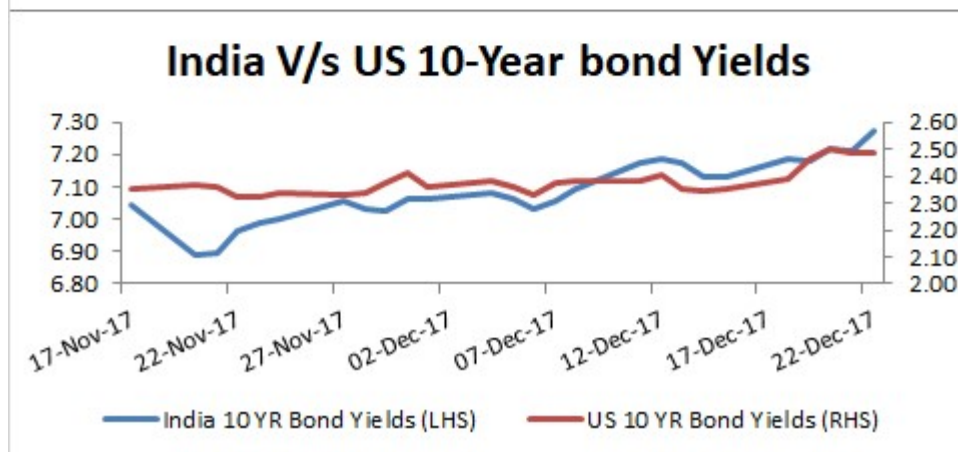
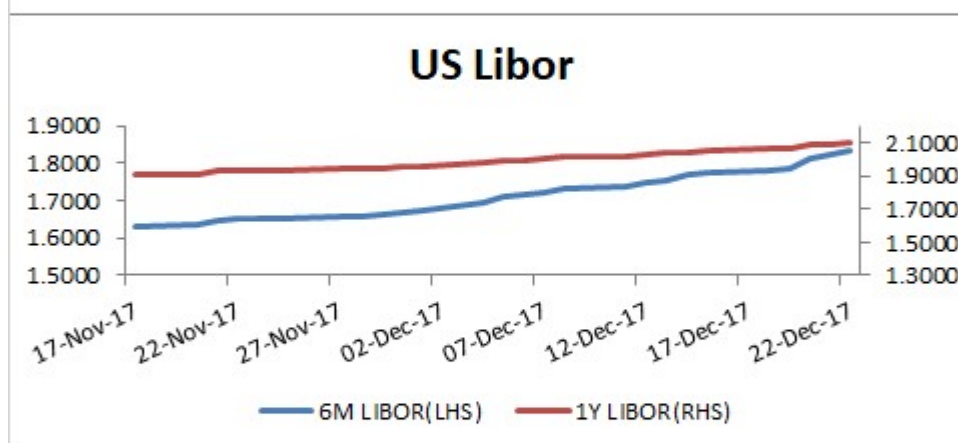
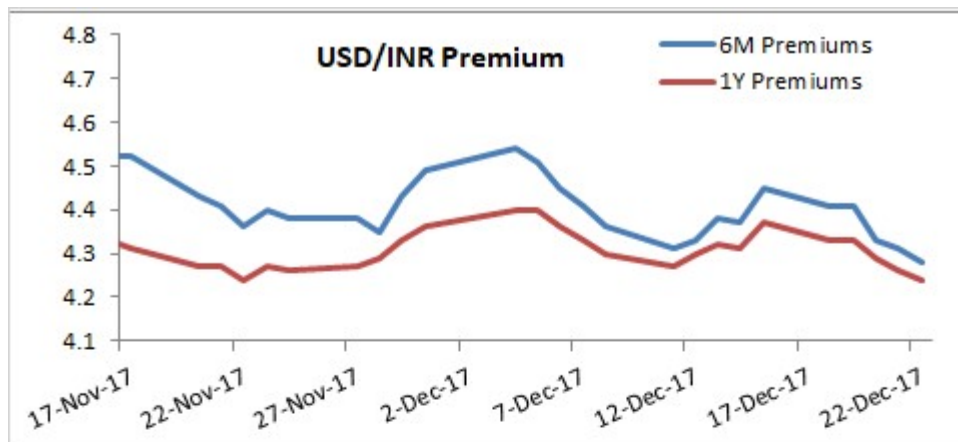
The predicted boost for business has caused the stock market to soar in recent weeks. US economic growth is also expected to have a knock-on effect around the world.

As a result of the reforms, US companies with offshore dealings could decide to keep their money at home, enticed by lower corporation taxes plus a desire to avoid new restrictions on shifting profits abroad.

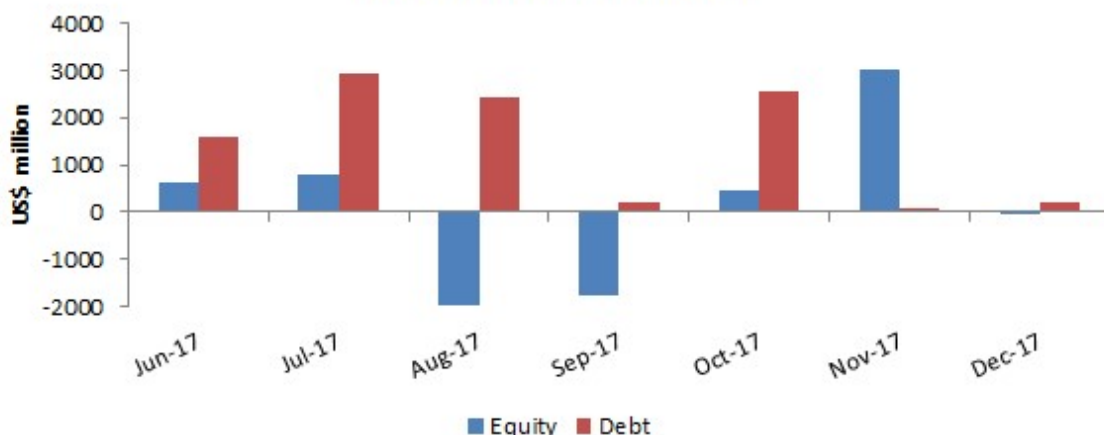
Companies operating overseas, such as big tech and pharma companies, would be taxed at a low rate - 15.5% - to return the cash to the US in a one-time move.

Ireland, where Apple has a major base, still undercuts the US with its headline corporation tax rate of 12.5%.

Source: BBC News



FII Trends in last 6 Months



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	0.32	0.42	0.21	2.00	0.32	0.22	0.19	1.16
2 Month	0.48	0.70	0.43	1.63	0.48	0.29	0.41	0.71
3 Month	0.60	0.96	0.65	1.48	0.60	0.33	0.63	0.52
6 Month	0.99	1.77	1.39	1.27	0.99	0.44	1.37	0.32
9 month	1.30	2.48	2.07	1.20	1.30	0.52	2.05	0.25
1 Year	1.54	3.12	2.74	1.14	1.54	0.56	2.72	0.21

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