Contents

Fifth Wave

For the week ended 27th Nov – 1st Dec 2017

Global Summary	Close	High	Low	6-Mth Forward (Vs INR in % p.a.)
INR	64.4625	64.8300	64.2700	4.49%
GBP	1.3470	1.3549	1.3219	5.74%
EUR	1.1889	1.1960	1.1807	6.83%
JPY	112.1000	112.8700	110.8300	6.61%
CHF	0.9763	0.9881	0.9733	7.37%
AUD	0.7609	0.7644	0.7548	4.33%
CAD	1.2681	1.2909	1.2676	4.91%
MYR	4.0875	4.1175	4.0800	
SGD	1.3465	1.3507	1.3415	
THB	32.5900	32.7100	32.4800	
IDR	13,524	13,527	13,495	
KRW	1,082.47	1,091.25	1,073.71	
HKD	7.8125	7.8139	7.7987	
GOLD	1280.1899	1299.13	1270.11	
SILVER	16.436	17.197	16.22	

SIX MONTH LIBOR

USD	GBP	JPY	CHF	EUR
1.67425	0.58494	0.014	-0.655	-0.31157

GLOBAL STOCK MARKET INDICES

Sensex	Hangseng	DJIA	Nikkei	FTSE	DAX	NASDAQ
32832.94	29074.24	24231.59	22819.03	7300.49	12861.49	6847.586
-2.51%	-2.65%	2.86%	1.19%	-1.47%	-1.52%	-0.60%

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Domestic Market

- Rupee closed the week at 64.4625 levels.
- FX Reserves increased marginally to 400.74 billion from 399.53 billion as on 24 Nov 17.
- India's Q2 GDP stood at 6.30% v/s 5.70% prior.

Domestic Markets

Weekly wrap up:

Rupee opened the week at 64.71 levels and initially traded with mildly negative bias towards 64.83 levels as S&P kept the India's rating unchanged but downgraded the sovereign rating of South Africa. However, rupee soon reversed the losses as S&P's comments on Indian economy were largely seen as positive. The global rating agency, expects the Indian economy to grow robustly over 2018-2020 having a favourable view of the reforms that the government has undertaken and lauded India's fiscal consolidation drive. Rupee continued to gain with overall positive mood about the economy post Moody's upgrade and S&P's comments. Rupee further moved to its weekly high of 64.27 levels tracking the gains in Asian peers. Asian currencies were trading higher as optimism over U.S. tax reform and euro-area economic growth overshadowed concerns about North Korea's latest missile launch. On the last trading day of the holiday truncated week, equities fell sharply by 453.41 points on fears of rising fiscal deficit pushing rupee back towards 64.60 levels. The Centre's fiscal deficit for April-October, the first seven months of the financial year, was already Rs 5.25 lakh crore or 96.1 per cent of the full-year target of Rs 5.46 lakh crore. Towards, the closing rupee regained some of its lost ground and ended the week at 64.4625 levels as markets were expecting improved GDP numbers which were to be released post market hours.

Going Forward:

Coming week, the key focus shall be on the RBI Monetary Policy Meeting which is likely to keep the Rupee cautious. The fears of rising fiscal deficit shall pressurize rupee to weaken while rise in GDP figures after the continues dip of 15 months shall provide the boost to equities and rupee. Over the week rupee shall trade in a range of 64.20-64.90 levels.

The equity fell on Friday by 316.40 points where equities were open while currency markets were closed due to public holiday. This was a second consecutive day of sharp equity fall and shall weigh on market player's mind. It shall pressurize rupee to weaken when it opens on Monday. A move beyond 64.60 shall push rupee towards 64.90 levels as stop loss buying may emerge. In the RBI policy, no change is expected considering the committee's concerns over rising inflation coupled with uncertain global factors. Investors shall place bets according to the RBI Governor's speech along with committee's fixation of inflation and GDP growth targets. Also, the US Tax Legislation will also play a role in shaping the price movement of Rupee. The chances of the bill getting passed by the full Senate has increased considerably which could give a boost to the American currency in turn keeping the Rupee negative. However, recent gains witnessed in rupee shall keep exporters on tenterhooks and any weakness in rupee shall be taken as an opportunity by them to hedge their exports. FII flows in Debt and equity markets shall be the key for future directions. On the downside, RBI seems to be protecting sub 64.25-64.30 levels in turn to keep rupee competitive. If RBI refrains to intervene, a break of 64.20 levels shall open the doors for 63.80-64.00 levels in the coming weeks.

Advise:

Exporters are advised to hedge their short to mid-term receivables on spikes towards 64.75-64.90 levels while Importers are advised to hedge their near-term payable on dips towards 64.35 -64.40 levels.

Domestic Market

Likely to move higher

Forward Market

6 - month Premium (in Paisa)

6 month forward premia opened the week at 140.75 paisa and initially dipped lower to 137.75 paisa. Forming a bullish pattern (hammer) on the daily chart, the 6 month forward premium started to move higher and breached its key resistance of 143.50 paisa. 6 month forward premia ended the week at its high of 144.25 paisa.

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Going Forward:

6 month forward premia has given a bullish close on the short term charts signalling an upmove towards 148.50 and 150.00 paisa. A convincing break and close above the same shall push it to 153.00 and 155.00 paisa. On the downside, key support lies at 143.50 paisa. Technical indicators are signalling a bullish momentum.

Key Support: 143.50, 138.50, 135.00
Key Resistance: 148.50, 150.00, 153.00, 155.00

International Markets

EUR/USD
Euro closed the week at 1.1889 levels.

Technical
Likely to move lower

Upcoming Events

- Sentix Investor Confidence
- PPI m/m
- Final Services PMI(DE)
- Final Services PMI
- Retail Sales m/m
- Factory Orders m/m(DE)
- Retail PMI
- Industrial Production m/m(DE)
- Trade Balance(DE)

Euro:

Euro opened the week at 1.1931 levels and strengthened towards its weekly high at 1.1960 levels after German business confidence index hit a record high showing another sign of strong growth in the euro zone's largest economy. Upbeat data was followed by positive developments on the political front after German Chancellor Angela Merkel's three-way coalition talks with the pro-business Free Democrats and Greens collapsed - was handed a political lifeline by the Social Democrats. However, the European unit weakened towards 1.1807 levels as markets wait for a confirmation hearing for Federal Reserve chair nominee Jerome Powell, hoping for further clues on the outlook for the Fed's monetary policy. Market participants also continued to focus on a potential U.S. tax reform plan. President Donald Trump was set to meet Senate Republicans to discuss the party's efforts to pass tax reform legislation. Later, the Euro strengthened towards 1.1883 levels against a broadly lower Dollar amidst fresh tensions between US and North Korea. However upbeat US data as well as news that the U.S. Senate Budget Committee approved President Donald Trump's tax bill lifted the Greenback sentiment and weakened the Euro towards 1.1816 levels. Also, disappointing release of inflation data supported the European Central Bank's plan to remove stimulus only gradually which further pulled the Euro down. On the last trading day of the week, the Euro initially moved up after robust release of manufacturing data and the news that German Chancellor Angela Merkel's conservatives held talks with centre-left Social Democrats (SPD) to facilitate the formation of a stable government in a bid to end the country's political impasse. Towards the closing Euro moved lower on reports over the stability of the Trump administration after the news of replacement of secretary of state Rex Tillerson along with news that Former White House national security adviser, General Mike Flynn, pled guilty in court on Friday to making false statements to the FBI, relating to his contacts with the Russian ambassador shortly after President Trump won the November 2016 election. This led to sharp fall in US equity markets and led to negative sentiments in broader currencies. Euro ended the week at 1.1889 levels.

Technical Outlook:

Week ahead: Cross has again got resisted at 1.1960 levels and given a bearish close on the short term charts signalling a downmove towards 1.1860 levels. A convincing break and close below the same could push the cross towards 1.1730 and 1.1640 levels. On the flipside, any break and close above 1.1960 levels shall open up the gateway for a swift upmove towards 1.2030 and 1.2090 levels. A convincing break and close above the same shall push it to 1.2200 and 1.2330 levels. Technical indicators are signalling a bearish momentum.

Key Support: 1.1860, 1.1730, 1.1640
Key Resistance: 1.1960, 1.2030, 1.2090

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

International Markets

GBP/USD
GBP closed the week at 1.3470 levels.

Technical
Likely to move higher after a dip

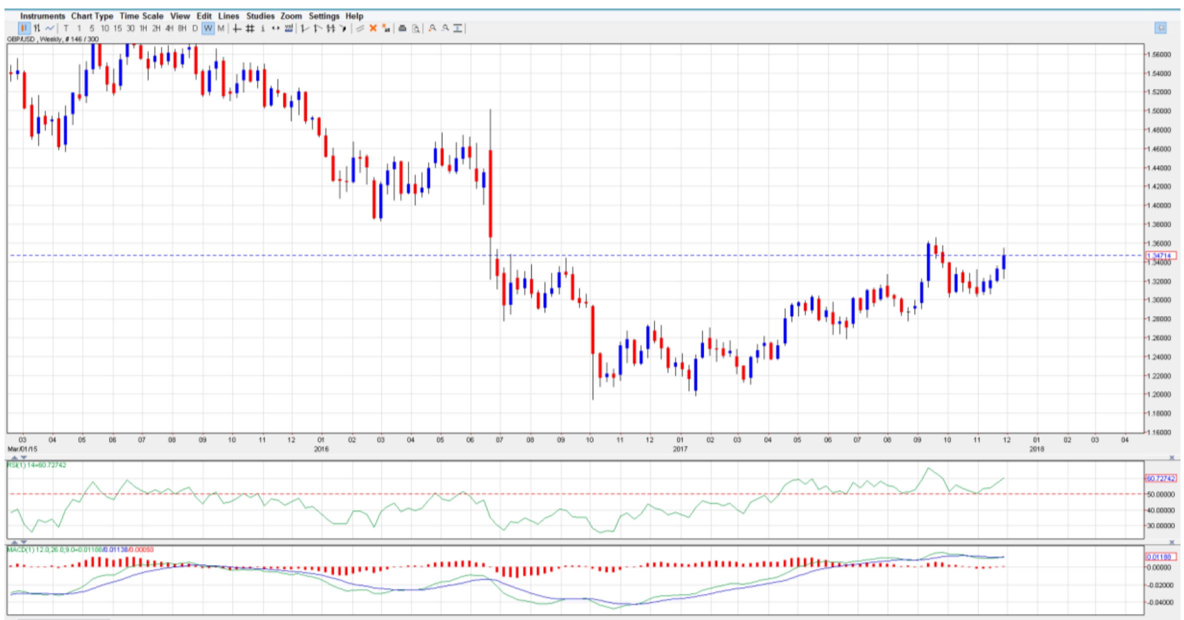
Upcoming Events

- Construction PMI
- BRC Retail Sales Monitor y/y
- Services PMI
- Halifax HPI m/m
- Manufacturing Production m/m
- Goods Trade Balance
- Construction Output m/m
- Industrial Production m/m

Sterling:

The British currency continued its previous week rally and started the week on a positive note at 1.3335 levels as markets discounted UK cabinet's plan to increase the money on offer to the European Union in their financial settlement on exiting the Union. Adding to the bullish trend was the weak US Dollar Index which traded most part of the week with a negative bias after North Korea test fired once again thereby infusing jitters in the markets which pushed the Cable currency higher making a weekly high of 1.3549 levels. Later in the week, there was some profit booking seen in the Sterling Pound which could not sustain longer on account of robust release of manufacturing data from the nation that came better than the forecasted levels. The Pound currency however ended the week on a negative note at 1.3470 levels as markets refrained from making any risky investments after the former national security adviser Michael Flynn was proven guilty to make contact with Russians during US Presidential Elections, which led to risk off sentiments in the market.

Technical Outlook:



Week ahead: Cross has given a bearish close on the daily charts while has formed a bullish candle on the weekly charts signaling an initial downmove towards 1.3330 levels. Interim support lies at 1.3400 levels. Taking support at 1.3330 levels, the pair shall resume its upmove targeting 1.3550 levels. Further resistance lies at 1.3650 levels. Technical indicators are signalling a bullish momentum.

Key Support: 1.3400, 1.3330, 1.3265
Key Resistance: 1.3550, 1.3650, 1.3720

Advise: Importers are advised to cover their near term payables on dips towards 1.3350 levels. Exporters are advised to cover their near term receivables in a staggered manner on spikes towards 1.3520 and 1.3650 levels.

Fifth Wave

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International Markets

USD/JPY
Yen closed the week at 112.10 levels.

Technical

Likely to move higher after a dip

Upcoming Events

- Monetary Base y/y
- Consumer Confidence
- BOJ Core CPI y/y
- Bank Lending y/y
- Current Account
- Final GDP Price Index y/y
- Economy Watchers Sentiment

Japanese Yen:

The Japanese Yen opened the week at 111.41 levels and appreciated towards its weekly high at 110.83 levels with a broadly lower Dollar after the sentiments for the Greenback remained vulnerable post the minutes of the Federal Reserve's November meeting which showed that some officials were concerned inflation would stay below the bank's 2% target for longer than expected. Further, markets keep an eye on the Korean Peninsula for risk trade. However, the Japanese unit soon reversed gains towards 111.63 levels after North Korea fired a ballistic missile from an area near Pyongyang while the Japanese government said it landed in the country's exclusive economic zone. Further, the Dollar broadly rose on back of upbeat economic data while comments from Fed chair designate Jerome Powell lifted sentiment on the Greenback. Going ahead, the Japanese unit continued to weaken towards 112.14 levels against the Dollar after better than expected GDP data in the US coupled with worse than expected data in Japan. The Japanese unit again strengthened towards 111.71 levels on broad Dollar weakness as investors remained focused on the progress of a U.S. tax reform bill. Further, sentiment was hit following reports that U.S. President Donald Trump is looking to get rid of Rex Tillerson as State Secretary and replace him with CIA chief Mike Pompeo. The report along with Former White House national security adviser, General Mike Flynn, pleading guilty in court on Friday to making false statements to the FBI, relating to his contacts with the Russian ambassador shortly after President Trump won the November 2016 election; added to concerns over turmoil in the Trump administration. This led to sharp fall in US equity markets and led to negative sentiments in broader currencies. The Yen depreciated and closed at 112.10 levels on risk off sentiment and as markets discounted the release of dull consumer price and household spending data that suggested that Bank of Japan may face difficulties in meeting its 2 percent inflation target.

Technical Outlook:

Week ahead: The pair has given a bearish close on the daily charts signalling an initial downmove towards 111.35 levels. However, given a bullish close on the weekly charts the pair could take support at these levels and resume its upmove towards 112.95 levels. A convincing break and close above the same shall open up the gateway for a swift upmove towards 113.50 and 114.30 levels. Technical indicators are signalling the same bullish momentum.

Key Support: 111.35, 110.00, 109.40
Key Resistance: 112.95, 113.50, 114.30

Advise: Importers are advised to cover their near term payables in a staggered manner on spikes towards 113.50 and 114.30 levels. Exporters are advised to sell their near term receivables on dips towards 111.50 levels.

International Market

Likely to move lower

Gold

Week Gone by:
Gold opened the week at 1288.50 levels and initially surged to its weekly high of 1299.13 levels. Facing resistance around these levels, it reversed its trend and started to move lower. Breaching a crucial support level of 1280.00 levels it moved swiftly to a low of 1270.11 levels and closed the week at 1280.19 levels.

Week Ahead:
The yellow metal has given a bearish close on the daily as well as weekly charts. There is a strong trendline support on weekly chart is at 1280.00 levels, break and close below the same shall push the pair swiftly lower towards 1260.00 and 1245.00 levels. Further support is at 1220.00 levels. However, if it takes a support at the trendline the above view may not hold good and the yellow metal can start trading in north towards 1295.00 levels where it can face mild resistance. A break and close above the same shall push it further higher to 1310.00 levels. Technical indicators are showing bearish signals.

Key Support: 1260.00, 1245.00, 1220.00, and 1200.00
Key Resistance: 1295.00, 1310.00, 1330.00 and 1350.00

Advise: Traders are advised to sell the yellow metal on the break of trendline support of 1280.00 levels targeting 1260.00 and 1245.00 levels with a strict stop loss at 1295.00 levels.

Forex Calendar

Forex Calendar

Date	Time	Country	Data	Forecast	Previous
04/12/2017	05:20	JP	Monetary Base y/y	13.2%	14.5%
04/12/2017	10:30	JP	Consumer Confidence	44.8	44.5
04/12/2017	15:00	EU	Sentix Investor Confidence	32.3	34.0
04/12/2017	15:00	UK	Construction PMI	51.2	50.8
04/12/2017	15:30	EU	PPI m/m	0.4%	0.6%
04/12/2017	20:30	US	Factory Orders m/m	-0.3%	1.4%
05/12/2017	5:31	UK	BRC Retail Sales Monitor y/y	-	-1.0%
05/12/2017	10:30	JP	BOJ Core CPI y/y	0.5%	0.5%
05/12/2017	14:25	DE	Final Services PMI	54.9	54.9
05/12/2017	14:30	EU	Final Services PMI	56.2	56.2
05/12/2017	15:00	UK	Services PMI	55.2	55.6
05/12/2017	15:30	EU	Retail Sales m/m	-0.6%	0.7%
05/12/2017	19:00	US	Trade Balance	-46.2B	-43.5B
05/12/2017	20:15	US	Final Services PMI	55.4	54.7
05/12/2017	20:30	US	ISM Non-Manufacturing PMI	59.2	60.1
06/12/2017	12:30	DE	Factory Orders m/m	-0.1%	1.0%
06/12/2017	14:40	EU	Retail PMI	-	51.1
06/12/2017	18:45	US	ADP Non-Farm Employment Change	191K	235K

For the week 4th Dec – 8th Dec 2017

07/12/2017	10:30	JP	Leading Indicators	106.2%	106.4%
07/12/2017	12:30	DE	Industrial Production m/m	1.0%	-1.6%
07/12/2017	14:00	UK	Halifax HPI m/m	0.2%	0.3%
07/12/2017	19:00	US	Initial Jobless Claims	241K	238K
08/12/2017	01:30	US	Consumer Credit m/m	16.8B	20.8B
08/12/2017	05:20	JP	Final GDP q/q	0.4%	0.3%
08/12/2017	05:20	JP	Bank Lending y/y	2.8%	2.8%
08/12/2017	05:20	JP	Current Account	1.93T	1.84T
08/12/2017	05:20	JP	Final GDP Price Index y/y	0.1%	0.1%
08/12/2017	10:30	JP	Economy Watchers Sentiment	52.3	52.2
08/12/2017	12:30	DE	Trade Balance	22.3B	21.8B
08/12/2017	15:00	UK	Manufacturing Production m/m	-0.1%	0.7%
08/12/2017	15:00	UK	Goods Trade Balance	-11.5B	-11.3B
08/12/2017	15:00	UK	Construction Output m/m	0.2%	-1.6%
08/12/2017	15:00	UK	Industrial Production m/m	0.0%	0.7%
08/12/2017	19:00	US	Non-Farm Employment Change	200K	261K
08/12/2017	19:00	US	Unemployment Rate	4.1%	4.1%

Column of the Week

‘GDP growth jumps to 6.3 per cent in Q2, breaks five-quarter slide

India's economic growth in the second quarter (July-September) of current fiscal rose to 6.3 per cent compared to 5.7 per cent in first quarter (April-June). The report showed that the economic activities which registered growth of over 6.0 per cent in Q2 of 2017-18 over Q2 of 2016-17 are manufacturing, electricity, gas, water supply & other utility services and trade, hotels, transport & communication and services related to broadcasting.

The GDP growth is in line with Forecasts made by SBI Research, Ficci, Reuters poll and Bloomberg. The SBI Research in its report had said that the second quarter growth was likely to trend higher and might be in the lower end of 6-6.5 per cent band with an upward bias. Bloomberg and Reuters poll made similar predictions -in terms of GDP- and pegged the number at 6.4 per cent for the July-September quarter. Niti Aayog Vice-Chairman Rajiv Kumar expected the economy to grow in the second quarter at 6.2-6.3 per cent.

Moments after the GDP data was released, Finance Minister Arun Jaitley in a tweet said that the government's reforms to push economic growth translated into robust growth in manufacturing and service sector.

While talking to reporters, Finance Minister Arun Jaitey said that poor agriculture growth had been due to the last year's base affect. On asking about growth in the private sector, Jaitley said since the GDP growth data was aggregated, there's no idea how the private sector has fared. He said the country is back on growth trajectory, and that the GDP boost would give fillip to job creation in the country. The finance minister also said there were some price estimates yet to be taken into account when it came to the GDP data.

Here are the key takeaways from today's GDP report:

- GDP growth in Q2 of 2017-18 is estimated at Rs 31.66 lakh crore against Rs 29.79 lakh crore in Q2 of 2016-17, showing a growth rate of 6.3 per cent.
- Quarterly Gross Value Added (GVA) at basic price at constant (2011-12) prices for Q2 is estimated at Rs 29.18 lakh crore against Rs 27.51 lakh crore in Q2 of 2016-17 showing 6.1 per cent growth rate.
- The growth in the agriculture, forestry and fishing, mining and quarrying, construction, financial, insurance, real estate and professional services, and public administration, defence and other services is estimated to be 1.7 per cent, 5.5 per cent, 2.6 per cent, 5.7 per cent and 6.0 per cent, respectively.
- Quarterly growth from the 'mining and quarrying' sector grew by 5.5 per cent as compared to decline of 1.3 per cent in Q2 of 2016-17, while the 'manufacturing' sector grew by 7.0 per cent as compared to growth of 7.7 per cent in Q2 of 2016-17.
- With the introduction of Goods and Services Tax (GST) from July and consequent changes in the tax structure, the total tax revenue used for GDP compilation include non-GST revenue and GST revenue based on GSTR filings.
- The production of food grains during the Kharif season of agriculture year 2017-18 declined by 2.8 per cent as compared to the growth of 10.7 per cent during the same period in 2016-17.
- GDP at current prices in Q2 of 2017-18 is Rs 40.22 lakh crore against Rs 36.76 lakh crore in Q2 of 2016-17, showing a growth rate of 9.4 per cent, while GVA at basic price at current prices in the same period is Rs 36.40 lakh crore as against Rs 33.52 lakh crore in Q2 of 2016-17, an increase of 8.6 per cent.
- The quarterly GVA from electricity, gas, water supply and other utility services sector grew by 7.6 per cent as compared to growth of 5.1 per cent in Q2 of 2016-17.

- The Construction sector grew by 2.6 per cent as compared to the growth of 4.3 per cent in Q2 of 2016-17. The key indicators of the sector, production of cement and consumption of finished steel, registered growth rates of (-) 0.4 per cent and 4.1 per cent.
- Trade, Hotels and Transport & Communication and Services related to broadcasting grew by 9.9 per cent as compared to growth of 7.7 per cent in Q2 of 2016-17, while Financial, insurance, real estate and professional services grew by 5.7 per cent as compared to growth of 7.0 per cent in Q2 of 2016-17.
- The sector wise growth for other sectors as compared to the corresponding quarter in the previous year is public administration and defence and other services (6 per cent, last year 9.5 per cent).

Bloomberg in its report said that India's gross value added growth in the quarter-ended September was likely to grow at 6.2 per cent. Its report was based on a poll of 46 economists. "The country's gross domestic product, a more commonly used measure, is expected to grow at 6.4 percent during the quarter, compared to 5.7 percent in the June-ended quarter," the report said.

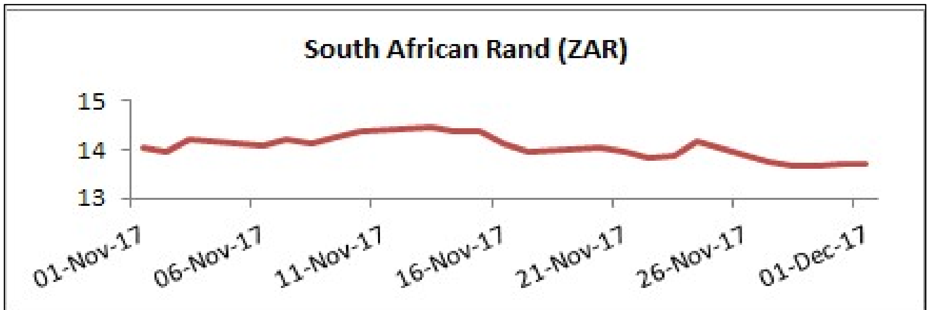
In the first quarter, India's GDP growth had slipped to 5.7 per cent, lowest in the last 13 quarters. In the previous quarter January-March, the growth rate had come down to 6.1 per cent. With the January-March quarter result, India had lost its fastest growing economy to China, which grew at 6.9 per cent. The slowdown was largely due to the demonetisation which brought down the economic activities in formal and informal sectors.

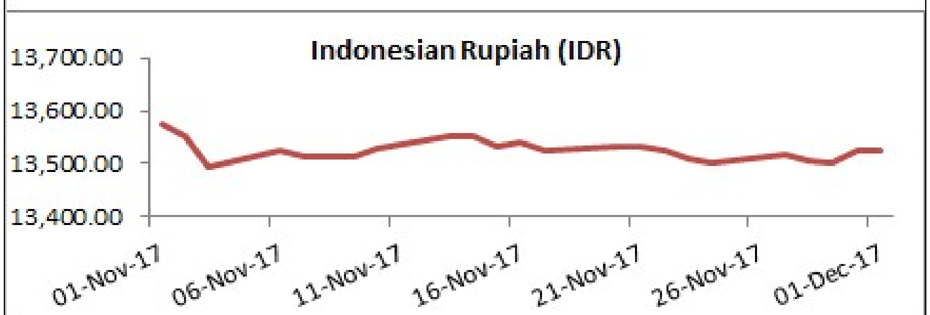
Indian economy's slowdown started after January-March 2016 quarter. Before this time, India was the fastest growing economy in the world. In the first quarter of 2016 - January-March period - the country's GDP growth rate was nearly 9.2 per cent. However, since January-March 2016 quarter, the GDP growth rate has been continuously declining. In April-June 2016 quarter, GDP growth rate slipped to 7.9 per cent - a decline of 1.3 per cent over the previous quarter. It dropped further to 7.5 per cent in the quarter ending September 2016. After this, the demonetisation was announced and economy couldn't recover since then.

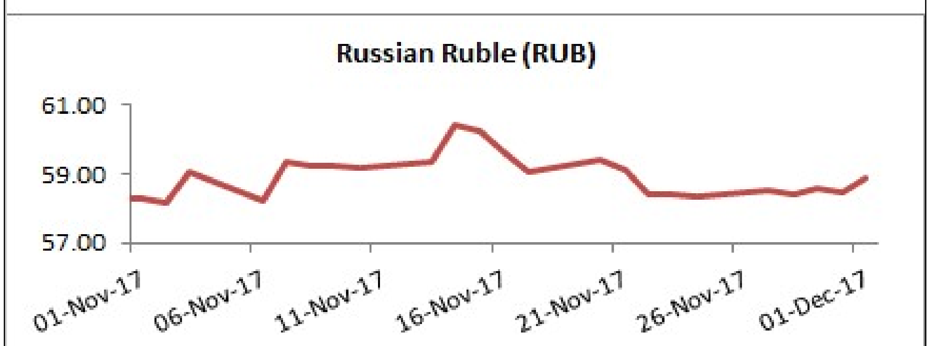
Source: Business Today

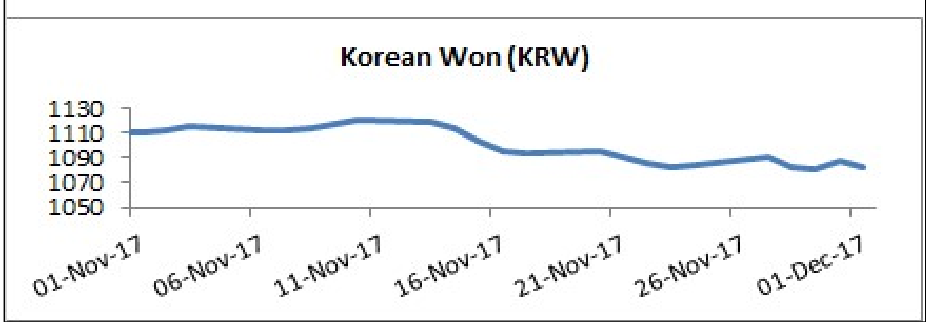
Graph'o'nomics

Emerging Market Currencies

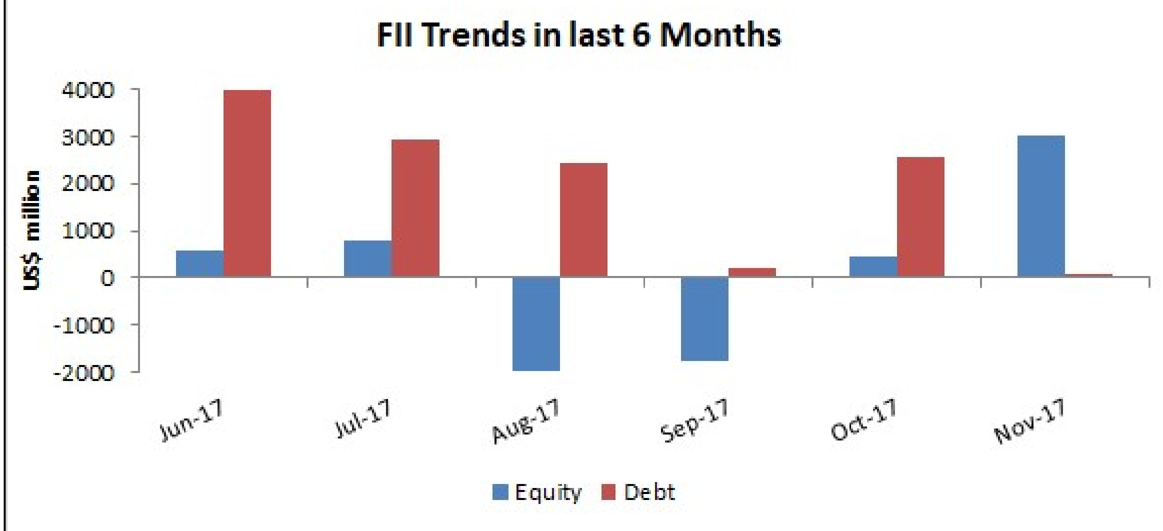








Graph'o'nomics



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	0.47	0.23	2.03	0.36	0.25	0.21	1.19
2 Month	0.51	0.73	0.43	1.70	0.51	0.31	0.41	0.76
3 Month	0.63	0.98	0.65	1.51	0.63	0.35	0.63	0.55
6 Month	1.00	1.82	1.45	1.26	1.00	0.43	1.43	0.30
9 month	1.31	2.55	2.14	1.19	1.31	0.51	2.12	0.24
1 Year	1.56	3.20	2.81	1.14	1.56	0.57	2.79	0.20