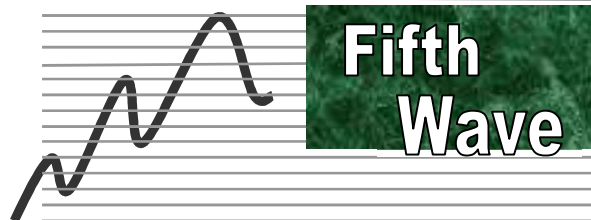


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For the week ended 4<sup>th</sup> Dec – 8<sup>th</sup> Dec 2017

Global Summary		Close	High	Low	6-Mth Forward ( Vs INR in % p.a.)	
	INR	64.4450	64.6050	64.2200	4.36%	
	GBP	1.3389	1.3538	1.3318	5.71%	
	EUR	1.1764	1.1888	1.1728	6.87%	
	JPY	113.4800	113.5800	111.9800	6.60%	
	CHF	0.9928	0.9977	0.9781	7.40%	
	AUD	0.7504	0.7653	0.7498	4.20%	
	CAD	1.2843	1.2879	1.2620	4.91%	
	MYR	4.0870	4.0890	4.0450		
	SGD	1.3520	1.3538	1.3448		
	THB	32.6100	32.7000	32.5300		
	IDR	13,545	13,558	13,510		
	KRW	1,091.85	1,096.27	1,081.23		
	HKD	7.8050	7.8185	7.8048		
GOLD		1247.76	1277.15	1243.71		
SILVER		15.838	16.428	15.62		
SIX MONTH LIBOR						
USD		GBP	JPY	CHF	EUR	
1.72988		0.586	0.01467	-0.6568	-0.31657	
GLOBAL STOCK MARKET INDICES						
Sensex	Hangseng	DJIA	Nikkei	FTSE	DAX	NASDAQ
33250.3	28639.85	24329.16	22811.08	7393.96	13153.7	6840.081
1.27%	-1.49%	0.40%	-0.03%	1.28%	2.27%	-0.11%



Mumbai: 022-25715001

Ahmedabad: 079-40603000

Bengaluru: 080-23365500

Chennai: 044-42859301

Delhi: 011-49456000

Hyderabad: 040-33456050

Kolkata: 033-22808715

## Domestic Markets

### Weekly wrap up:

Rupee opened the week at 64.55 levels and continued to trade in a narrow range through the week of 64.22 to 64.60 levels trading with caution ahead of strategically important Gujarat state elections. The FII flows in Indian markets along with Corporate related inflows pushed rupee every now and then towards 64.30 and lower levels. Rupee hit its weekly high of 64.22 levels ahead of RBI monetary policy-two day meet. Broader Dollar weakness amidst concerns of a likely US Government shutdown helped rupee to remain strong. However, weakness in Asian and local equities coupled with probable RBI intervention at lower levels reversed the gains in rupee. Further, the sharp fall in local equities led rupee to weaken again towards 64.6050 levels as RBI kept the Interest rates unchanged in its policy citing higher inflation forecast. RBI expects inflation to grow in a range between 4.3-4.7 per cent in the second half of this year mainly due to farm loan waivers, increase in house rent allowance and surge in food and fuel prices. RBI - MPC decided to keep the policy stance neutral and monitor incoming data closely while Projection of real GVA growth for 2017-18 has been kept unchanged to 6.7 percent, with risks evenly balanced. Five members voted in favor of the monetary policy decision, while one member voted for a reduction in policy rates by 25 bps. Towards the end, rupee got respite by the sharp recovery in local equity markets. Rupee ended the week at 64.445 levels as markets were waiting for another important data – US Non Farm Payrolls – which shall be another pointer for the pace of US Fed rate hike path.

## Domestic Market

- Rupee closed the week at 64.445 levels.
- FX Reserves increased marginally to \$401.94B from \$400.74B.
- RBI kept repo rate unchanged at 6.00 percent.
- Nov'17 Service PMI decreased to 48.5 from previous month's 51.7.



*For the week 11<sup>th</sup> Dec – 15<sup>th</sup> Dec 2017*

**Going Forward:**

*In the coming week, the Indian rupee shall continue to trade with its focus on Gujarat elections and US Fed Monetary policy. Any updates from the state elections shall keep the markets on toes as it is considered to be a major step for Modi government to come back to power in 2019.*

Rupee is expected to open flat around 64.50 levels but could initially trade with weaker bias on account of strong global dollar as markets discount the robust release of NFP Employment data from the US that came better than the expected levels. Also, the fear of US Government shutdown has been averted for sometime after the US Congress approved a two-week stopgap measure which would fund the government through 22nd December'17 thereby giving some breather to the US government. A break above 64.60 levels can push rupee towards 64.80 levels. In the mid-week, markets shall be presented with the most awaited event of the month i.e. the US -FOMC Monetary Policy where the policy committee shall hike rates and give hints on the future course of interest rates. During this phase, the American currency is expected to remain volatile which in turn will keep the Indian Rupee pressurized. On the domestic front, the upcoming releases of important economic data-sets from the nation like inflation, WPI, manufacturing and industrial production due later in the week will influence Rupee's movement. Lastly, the first phase of Gujarat Elections is expected to cause some jitters in the local markets and Rupee. On the downside, 64.20-64.30 levels shall continue to act as strong support for the pair as the RBI may intervene via state-owned banks to keep curb on any unusual movement in the currency pair in a bid to keep it stable.

**Advise:**

Exporters are advised to hedge their short to medium term receivables on spikes towards 64.70 and higher levels while Importers are advised to hedge their near term payable on dips towards 64.30-64.35 levels.

## Forward Market

### 6 - month Premium (in Paisa)

6-month forward premia opened the week at 144.00 paisa and initially touched a high of 146.50 paisa. Given a bearish close, it started to move lower and touched a low of 139.50 paisa. 6-month forward premia ended the week at 140.25 paisa.

### Going Forward:

6-month forward premia has given a bearish close on the short term charts after getting resisted at its trend resistance indicating a downmove towards 138.50 paisa. A convincing break and close below the same shall push it to 135.00 and 130.00 paisa. On the upside, key resistance lies at 143.50 and 146.50 paisa. Technical indicators are signalling a bearish momentum.

**Key Support:** 138.50, 135.00, 130.00

**Key Resistance:** 143.50, 146.50, 150.00



*For the week 11<sup>th</sup> Dec – 15<sup>th</sup> Dec 2017*

## Domestic Market

Likely to move lower



## International Markets

### EUR/USD

Euro closed the week at 1.1764 levels.

## Technical

Likely to move higher initially

## Upcoming Events

- ZEW Economic Sentiment(DE)
- ZEW Economic Sentiment
- Final CPI m/m(DE)
- Employment Change q/q
- Industrial Production m/m
- Flash Manufacturing PMI(DE)
- Flash Services PMI(DE)
- Flash Manufacturing PMI
- Flash Services PMI
- ECB Rate Decision
- ECB Press Conference
- Trade Balance

### Euro:

After opening the week at 1.1880 levels, the euro currency initially traded in a range-bound manner with slight bias towards positive side. This was mainly due to initial US Dollar weakness as markets feared that a US government shutdown could likely happen if budget meeting doesn't take a positive turn. EUR/USD made a weekly high of 1.1888 levels. However, this strength in the shared currency was short lived as Euro currency went south after the Brexit talks between the UK PM Theresa May and European Commission president Jean-Claude Juncker got derailed over Irish border debates. Also, lack of important economic data-sets from the Euro Area kept the trading volumes a bit light which gave no significant push to the shared currency. In the later part of the week, markets cheered the positive developments surrounding the US Tax Legislation after the Senate passed the bill coupled with clearance of spending bill by the US Congress thereby averting the major government shutdown. This prompted the traders to place bets in dollar denominated assets in turn denting the demand for the shared currency. Euro weakened to hit its weekly low of 1.1728 levels as US Non Farm Payrolls came in at 228k - better than expected numbers of 200k, while unemployment rate remained at 4.10%. Euro closed the week at at 1.1764 levels.

### Technical Outlook:



**Week ahead:** Cross has formed a bullish pattern (hammer) on the daily charts while has taken a strong support at 1.1730 levels signalling an initial upmove towards 1.1860 levels. Given a bearish close on weekly chart, the cross could face resistance at these levels and resume its downmove towards 1.1730 levels. A convincing break could push it to 1.1640 and 1.1530 levels. On the flipside, any break and close above 1.1860 levels could open up the gateway for a move towards 1.1930 and 1.2090 levels. Technical indicators are signalling a bullish momentum.

**Key Support:** 1.1730, 1.1640, 1.1530

**Key Resistance:** 1.1860, 1.1930, 1.2090

**Advise:** Exporters are advised to cover their near term receivables in a staggered manner on spikes towards 1.1860 levels. Importers are advised to cover their very near term payables on dips towards 1.1750 levels.

*For the week 11<sup>th</sup> Dec – 15<sup>th</sup> Dec 2017*

**Sterling:**

Sterling Pound opened the week at 1.3478 levels and after an initial spike to 1.3538 levels, traded lower as Brexit talks between the UK Prime Minister Theresa May and European Union chief executive Jean-Claude Juncker failed amid a row about British concessions over the Irish border. Apparently, Theresa May is expected to sign up to a 15-page declaration which could make Britain's case easy in next week's European summit where discussion on Brexit shall be undertaken. Therefore, the failed meeting between May and Jean dented the market sentiments in turn pushing the Pound lower. The release of Service PMI data from the nation again added to the woes since it came lower than the expected levels at 53.8 for the month of November'17. Furthermore, market seemed optimistic on US tax legislation coupled with lawmakers' efforts to avert a US government shutdown which kept the American currency strong in turn denting the demand for the Sterling Pound. GBP made a weekly low of 1.3318 levels. However, in the later part of the week sharp losses were capped as markets discounted the robust release of manufacturing production, housing price index and trade balance data from the nation that came better than the expected levels. Also, after a week-long of strenuous discussion, a deal between the European Union and Britain over the first phase of Brexit negotiations was finally reached which acted in favor of the Cable currency which pushed GBP/USD above 1.3500 levels. The currency pair though ended the week on a lower note at 1.3389 levels as robust release of employment data - Non Farm Payrolls - from the US pushed the American currency higher in turn keeping the Pound pressurized.

**Technical Outlook:**

**Week ahead:** Cross has given a bearish close on the daily and weekly charts signaling an downmove towards 1.3330 levels. Only a convincing break and close below the same shall push it to 1.3265 and 1.3120 levels. On the upside, key resistance lies at 1.3550 levels. Further resistance lies at 1.3650 levels. Technical indicators are signalling a bearish momentum.

**Key Support:** 1.3330, 1.3265, 1.3120

**Key Resistance:** 1.3550, 1.3650, 1.3720

**Advise:** Importers are advised to cover their near term payables in a staggered manner on dips towards 1.3265 and 1.3120 levels. Exporters are advised to cover their near term receivables on spikes towards 1.3450 levels.

*For the week 11<sup>th</sup> Dec – 15<sup>th</sup> Dec 2017*

## International Markets

**GBP/USD**

GBP closed the week at 1.3389 levels.

**Technical**

Likely to move lower

## Upcoming Events

- CPI y/y
- PPI Input m/m
- RPI y/y
- Core CPI y/y
- HPI y/y
- PPI Output m/m
- Claimant Count Change
- Unemployment Rate
- RICS House Price Balance
- Retail Sales m/m
- BOE Rate Decision
- Asset Purchase Facility
- CB Leading Index m/m

### Japanese Yen:

The Japanese Yen opened the week at 112.39 levels and depreciated towards 113.08 levels against a broadly stronger Dollar with ongoing optimism over the progress of tax reform in the US. With the Senate and House of Representatives set to get talks underway to reconcile their respective bills, investors remained optimistic that the final bill will reach President Donald Trump for approval before year-end. However, the Japanese unit started an appreciation rally towards 111.98 levels with concerns over a possible US Government shutdown after comments by US president Donald Trump that the federal government could shut down after funding runs out casting blame on Democrats for congressional gridlock on the budget and disagreements on immigration issues. Further, strength in the Yen was also seen after comments by BOJ Governor Kuroda who sounded committed to achieving its dual objective of achieving 2% price target and economic development, while saying that the central bank has a necessary tool to engineer a smooth exit from the QE program. Going ahead, the Japanese unit gave up earlier gains towards 113.47 levels after Japanese cash earnings from labor alone rose by 0.6% when the markets had looked for a 0.8% annualized gain. The rise was the weakest since July and also marks the end of a gradually rising trend seen since then. Further JPY weakened to hit its weekly low of 113.58 levels as US Non Farm Payrolls came in at 228k - better than expected numbers of 200k, while unemployment rate remained at 4.10%. JPY ended the week at 113.48 levels

### Technical Outlook:



**Week ahead:** The pair has given a bullish close on the daily and weekly charts signalling an upmove towards 114.20 levels (trendline resistance). A convincing break and close above the same shall push it to 115.50 and 116.40 levels. However, any resistance towards 114.20 levels shall push the pair back towards 113.50 and 112.00 levels. Further support lies at 110.80 levels. Technical indicators are signalling the same bullish momentum.

**Key Support:** 113.50, 112.00, 110.80

**Key Resistance:** 114.20, 115.50, 116.40

**Advise:** Importers are advised to cover their near term payables on spikes towards 114.20 levels and target better levels for further tenor. Exporters are advised to sell their near term receivables on dips towards 112.00 levels.

*For the week 11<sup>th</sup> Dec – 15<sup>th</sup> Dec 2017*



## International Markets

### USD/JPY

Yen closed the week at 113.48 levels.

## Technical

Likely to move higher initially

## Upcoming Events

- Prelim Machine Tool Orders y/y
- PPI y/y
- Tertiary Industry Activity m/m
- Core Machinery Orders m/m

## Gold



### Week Gone by:

Gold opened the week at 1272.84 levels and forming a tweezer top at its high of 1277.15, the yellow metal started to move lower. On its downmove, the yellow metal breached its key support of 1263.00 and touched a low of 1243.71 levels. Getting supported at these levels, the yellow metal retraced back higher and ended the week at 1247.76 levels.

### Week Ahead:

The yellow metal has taken support at 1243.00 levels and formed a tweezer bottom on the daily charts signaling an upmove towards 1262.00 levels. Facing resistance at these levels and given a bearish close on the weekly charts, the yellow metal is likely to move lower towards 1243.00 and 1220.00 levels. Next key support lies at 1200.00 levels. Technical indicators are signaling a bearish momentum.

**Key Support:** 1243.00, 1220.00, 1200.00

**Key Resistance:** 1262.00, 1295.00, 1315.00

**Advise:** Short term traders are advised to sell the yellow metal on spikes towards 1255.00 levels targeting 1243.00 and 1220.00 levels while keeping a strict stop loss above 1265.00 levels.



## Forex Calendar

Forex  
Calendar

Date	Time	Country	Data	Forecast	Previous
11/12/2017	11:30	JP	Prelim Machine Tool Orders y/y	-	49.8%
12/12/2017	5:20	JP	PPI y/y	3.3%	3.4%
12/12/2017	10:00	JP	Tertiary Industry Activity m/m	0.2%	-0.2%
12/12/2017	15:00	UK	CPI y/y	3.0%	3.0%
12/12/2017	15:00	UK	PPI Input m/m	1.6%	1.0%
12/12/2017	15:00	UK	RPI y/y	4.1%	4.0%
12/12/2017	15:00	UK	Core CPI y/y	2.7%	2.7%
12/12/2017	15:00	UK	HPI y/y	5.2%	5.4%
12/12/2017	15:00	UK	PPI Output m/m	0.2%	0.2%
12/12/2017	15:30	DE	ZEW Economic Sentiment	17.9	18.7
12/12/2017	-	EU	ZEW Economic Sentiment	30.2	30.9
12/12/2017	19:00	US	PPI m/m	0.4%	0.4%
12/12/2017	19:00	US	Core PPI m/m	0.2%	0.4%
13/12/2017	00:30	US	Federal Budget Balance	-135.2B	-63.2B
13/12/2017	05:20	JP	Core Machinery Orders m/m	2.8%	-8.1%
13/12/2017	12:30	DE	Final CPI m/m	0.3%	0.3%
13/12/2017	12:30	DE	WPI m/m		0.0%
13/12/2017	15:00	UK	Claimant Count Change	0.4K	1.1K
13/12/2017	15:00	UK	Unemployment Rate	4.3%	4.3%
13/12/2017	15:30	EU	Employment Change q/q	0.4%	0.4%
13/12/2017	15:30	EU	Industrial Production m/m	-0.2%	-0.6%

For the week 11<sup>th</sup> Dec – 15<sup>th</sup> Dec 2017

Forex  
Calendar

13/12/2017	19:00	US	CPI m/m	0.4%	0.1%
13/12/2017	19:00	US	Core CPI m/m	0.2%	0.2%
14/12/2017	00:30	US	FOMC Statement	-	-
14/12/2017	00:30	US	Federal Funds Rate	<1.50%	<1.25%
14/12/2017	05:31	UK	RICS House Price Balance	-1%	1%
14/12/2017	14:00	DE	Flash Manufacturing PMI	62.2	62.5
14/12/2017	14:00	DE	Flash Services PMI	54.7	54.3
14/12/2017	14:30	EU	Flash Manufacturing PMI	59.8	60.1
14/12/2017	14:30	EU	Flash Services PMI	56.1	56.2
14/12/2017	15:00	UK	Retail Sales m/m	0.4%	0.3%
14/12/2017	17:30	UK	BOE Rate Decision	0.50%	0.50%
14/12/2017	17:30	UK	Asset Purchase Facility	435B	435B
14/12/2017	18:15	EU	ECB Rate Decision	0.00%	0.00%
14/12/2017	19:00	EU	ECB Press Conference	-	-
14/12/2017	19:00	US	Core Retail Sales m/m	0.7%	0.1%
14/12/2017	19:00	US	Retail Sales m/m	0.3%	0.2%
14/12/2017	19:00	US	Initial Jobless Claims	-	236K
14/12/2017	20:00	UK	CB Leading Index m/m	-	-0.2%
14/12/2017	20:15	US	Flash Manufacturing PMI	54.2	53.9
14/12/2017	20:15	US	Flash Services PMI	54.6	54.5
15/12/2017	15:30	EU	Trade Balance	24.6B	25.0B
15/12/2017	19:45	US	Industrial Production m/m	0.3%	0.9%

For the week 11<sup>th</sup> Dec – 15<sup>th</sup> Dec 2017

## Senate votes to pursue tax bill negotiations with House

U.S. Senate Republicans agreed to talks with the House of Representatives on sweeping tax legislation on Wednesday, amid early signs that lawmakers could bridge their differences and agree on a final bill ahead of a self-imposed Dec. 22 deadline.

The Republican-led Senate voted 51-47, along party lines with Democrats opposed, to begin formal conference negotiations to reconcile rival House and Senate tax bills passed last week.

The move, which follows similar House action this week, brings Congress a step closer to sending President Donald Trump a tax overhaul that he can sign into law.

House and Senate negotiators will need to work out differences on issues ranging from business taxes to the repeal of the Obamacare mandate that Americans obtain health insurance or face a penalty before lawmakers can pass a final version.

But John Cornyn, the No. 2 Senate Republican, said he was optimistic House and Senate tax negotiators would be able to work out an agreement within the next two weeks.

“Given the similarities between the House and the Senate bills, I think there are some obvious targets where they need to focus their attention but obviously they won’t be rewriting the bills,” Cornyn said.

Republican negotiators must be careful not to agree to changes that could diminish support in the Senate, where they can afford to lose support from no more than two party members. There has been no major tax overhaul since 1986, when Republican Ronald Reagan was president.

While there are significant differences between the House and Senate bills, both would cut the U.S. corporate tax rate to 20 percent from 35 percent, provide tax relief for “pass-through” enterprises including small businesses where earnings are taxed at individual rates, and both benefit the wealthiest Americans and reduce the tax burden for most middle-class taxpayers.

Republicans claim the legislation will spur enough economic growth to pay for the tax cuts with new revenue, but the nonpartisan Joint Committee on Taxation estimates that Senate bill would still add \$1 trillion to the federal budget deficit over a decade, even with an economic upswing.

U.S. stock prices have rallied on growing optimism that tax legislation will become law.

### **DEFICIT WARNING**

But on Wednesday, the head of sovereign credit ratings at S&P Global told Reuters that the rising deficit and looser fiscal policy could prompt negative action on U.S. credit ratings unless Washington addressed long-term budgetary issues.

“If U.S. tax reform is approved, it seems certain to increase the federal budget deficit,” Moritz Kraemer, S&P’s sovereign global chief rating officer, said in an interview.

“A meaningful relaxation of fiscal policy without countervailing measures to address the longer-term fiscal challenges of the U.S. could lead to a negative rating action.”

Senate Republicans later voted down a Democratic motion instructing tax negotiators to produce a deficit-neutral bill.

Passage of the tax bill would provide a badly needed legislative victory for Trump and Republicans after their failure earlier this year to enact legislation repealing President Barack Obama’s signature healthcare law.

Trump and his Republican allies see enacting the tax overhaul that they promised voters as crucial to their strategy for the 2018 U.S. congressional elections, when all 435 seats in the House of Representatives and 33 seats in the 100-member Senate will be up for election.

Democrats have been united against the bill, calling it a handout to corporations and the rich that would drive up the federal deficit.

In an early sign of progress on reconciling the House and Senate versions, Senator Orrin Hatch, chairman of the tax-writing Finance Committee, said he did not think that the final bill would retain a corporate alternative minimum tax (AMT).



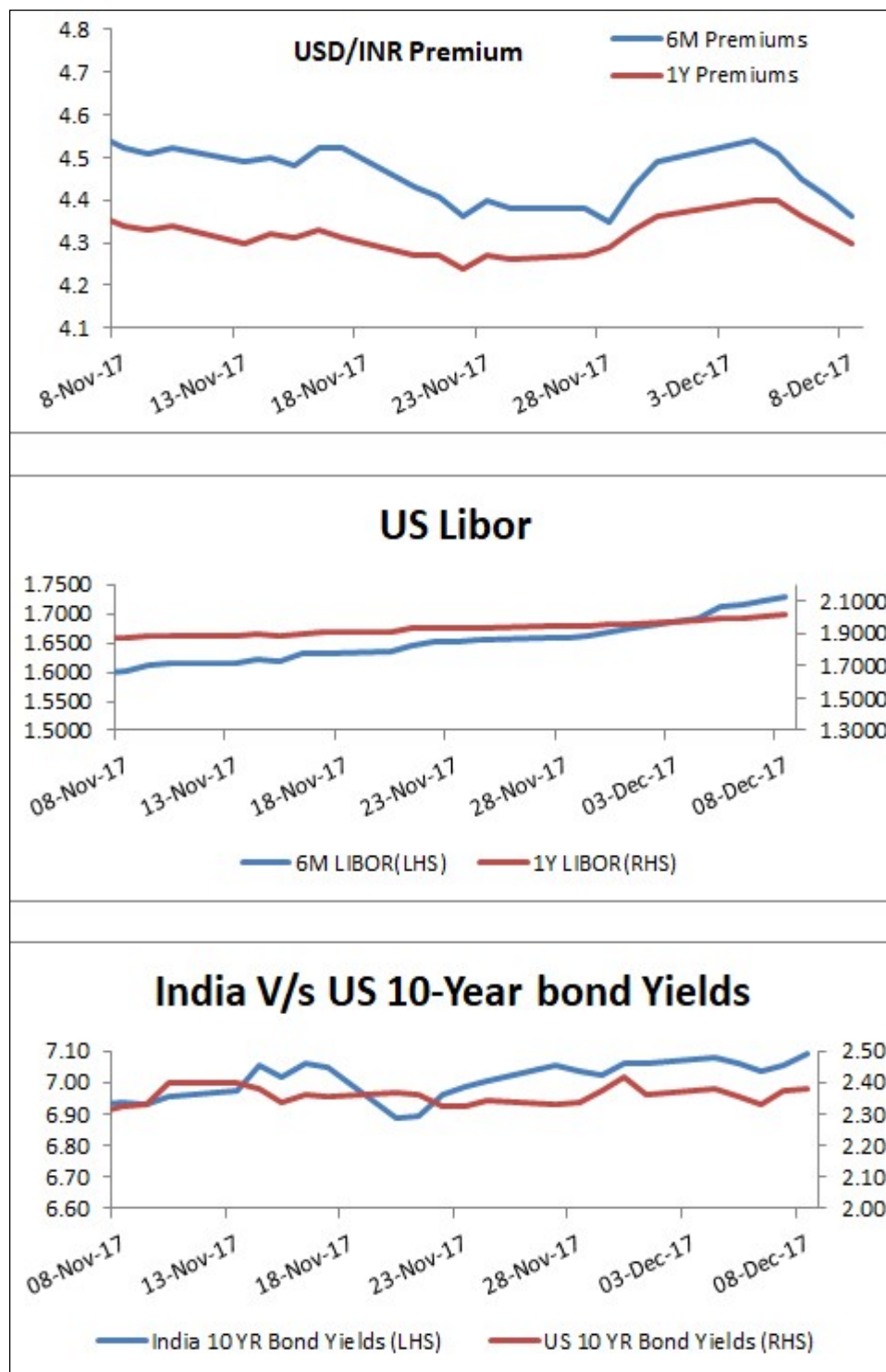
The House bill calls for a repeal of the corporate AMT, which is designed to limit the ability of corporations to reduce their payments through tax breaks and credits. Corporate AMT repeal is not part of the Senate version.

Getting rid of the corporate AMT would be popular with many businesses and would also be a concession toward the House bill.

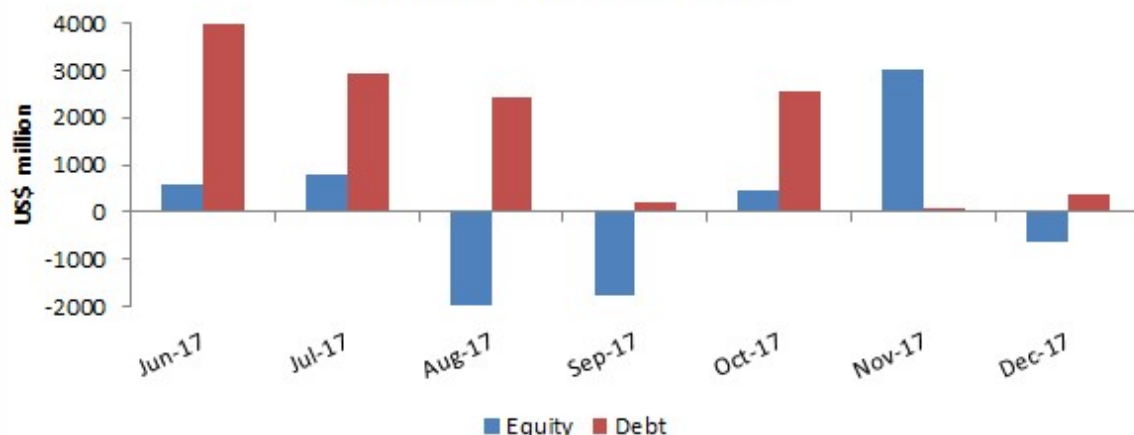
But repeal would also require lawmakers to replace the \$40 billion in revenues that retaining the corporate AMT would raise over a decade. Increasing the corporate income tax target from 20 percent is seen as one way to pay for the AMT repeal and other potential changes.

“I’ll keep it at 20 if I can, but there’s a drive to get it to 22. They want more money, that’s why,” Hatch told reporters.

**Source: Reuters**



### 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	0.36	0.46	0.22	2.09	0.36	0.25	0.20	1.25
2 Month	0.51	0.73	0.43	1.70	0.51	0.31	0.41	0.76
3 Month	0.63	0.98	0.67	1.46	0.63	0.35	0.65	0.54
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

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*For the week 11<sup>th</sup> Dec – 15<sup>th</sup> Dec 2017*