Contents

Fifth Wave

For the week ended 6th Nov – 10th Nov 2017

Global Summary	Close	High	Low	6-Mth Forward (Vs INR in % p.a.)
INR	65.1600	65.1900	64.6050	4.52%
GBP	1.3188	1.3229	1.3056	5.72%
EUR	1.1663	1.1678	1.1552	6.80%
JPY	113.5300	114.7200	113.0800	6.58%
CHF	0.9956	1.0029	0.9919	7.29%
AUD	0.7661	0.7700	0.7624	4.27%
CAD	1.2680	1.2819	1.2662	4.92%
MYR	4.1900	4.2420	4.1850	
SGD	1.3600	1.3659	1.3577	
THB	33.1200	33.1900	33.0600	
IDR	13,530	13,538	13,490	
KRW	1,119.87	1,120.54	1,109.78	
HKD	7.8009	7.8047	7.7917	
GOLD	1276.0601	1288.34	1266.01	
SILVER	16.898	17.27	16.78	

SIX MONTH LIBOR

USD	GBP	JPY	CHF	EUR
1.61461	0.5925	-0.00207	-0.6518	-0.31443

GLOBAL STOCK MARKET INDICES

Sensex	Hangseng	DJIA	Nikkei	FTSE	DAX	NASDAQ
33314.56	29120.92	23422.21	22681.42	7432.99	13127.47	6750.939
-1.10%	1.81%	-0.50%	0.63%	-1.68%	-2.61%	-0.20%

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Mumbai: 022-25715001

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

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

Domestic Market

- Rupee closed the week at 65.16 00 levels.
- FX Reserves marginally decreased to $398.739 bln as on Nov 3rd from $398.7610 bln.
- India's Sep Industrial Output came in at 3.80% vs previous 4.30%
- India's Sep Manufacturing Output came in at 3.40% vs previous 3.10%

Domestic Market

<u>Weekly wrap up</u>:

Rupee opened the week at 64.65 levels and weakened towards 64.73 tracking Global Dollar strength on better than expected US Factory orders and services sector data. Further, negative sentiments in local equities also weighed on the Indian currency. Going ahead, the Rupee initially traded at its weekly high at 64.6050 levels with broad Dollar weakness on concerns over whether the Republicans will be able to pass the U.S. tax bill. Reversing its rise, the rupee took a steep plunge towards 65.17 levels against the US dollar due to frantic demand for the American unit from Oil importers and corporate. Imminent higher interest rate environment arising out of the US Federal Reserve's hawkish tone along with rapidly surging crude oil prices worldwide largely kept pressure on rupee. Also, the overall sentiment turned little uneasy on concern over a lack of progress on tax reform in the US and as the Saudi Arabia crackdown intensified. Heavy capital outflows and some caution ahead of the key domestic macro data releases including IIP and inflation also weighed on trade. FPIs also sold heavily in equity markets keeping rupee on the edge. On the last trading day rupee further weakened to 65.19 levels as Dollar buying by importers intensified. Rupee ended the week at 65.16 levels.   .

Going Forward:

Rupee could likely open the week with a negative gap around 65.35 levels and may continue its downtrend as equity markets remain choppy and Dollar buying by Importers continues. Traders are also cautious as polls show that retail inflation might have sped up to a seven-month high in October, led by a rebound in food prices as unexpected rains destroyed crops, diminishing the chances of further interest rate cuts. The government will issue consumer price and wholesale price based inflation data for October on 13 November and 14 November respectively. According to Bloomberg analyst estimates, Consumer Price Index expected to be at 3.4% from 3.28% a month ago while Wholesale Price Index will be at 3.01% versus 2.6% a month ago. The IIP numbers printing below market expectations (3.80% v/s 4.20% and prior 4.30%) shall also weigh on rupee. If rupee sustains above 65.40 levels then stop loss buying by importers and traders could reemerge which can swiftly push rupee towards 65.60-65.70 levels. FPI outflows and rising crude prices shall also be a concern for Indian currency along with imminent rate hike by US in December. However, sharp weakness in rupee shall be limited by possible RBI intervention as RBI may not want to have a weaker rupee along with high crude prices as this can lead to rise in imported inflation. Opportunistic Dollar selling may also emerge on upticks above 65.60 levels.

Overall, the Indian currency shall trade volatile with a negative bias in a range of 65.00 to 65.70 levels with inflation numbers providing the major impetus to the currency

Advise:

Exporters are advised to wait for spikes towards 65.50-65.60 levels for hedging their short to mid term receivables while Importers are advised to cover their short term payable on dips towards 65.00 levels

Domestic Market

Likely to move higher

Forward Market

6 - month Premium (in Paisa)

6 month forward premia opened the week at 144.25 paisa and initially touched a low of 143.50 paisa. Taking support at these levels, the 6 month forward premia started to move higher and touched a high of 147.00 paisa. 6 month forward premia ended the week at 146.50 paisa.

Going Forward:

6 month forward premia has given a bullish close on the short term charts signaling an upmove towards 150.00 paisa. A convincing break and close above the same shall push it to 153.00 paisa. On the downside, the 6 month forward premia is supported at 143.00 paisa. Technical indicators are signaling a bullish momentum.

Key Support: 143.00, 140.00, 135.00
Key Resistance: 150.00, 153.00, 155.00

International Markets

EUR/USD
Euro closed the week at 1.1663 levels.

Euro:
Euro opened the week at 1.1608 levels and strengthened towards 1.1624 levels after the nonfarm payrolls report showed a smaller than expected increase in jobs growth and a slowdown in wage growth better data helped investors look past the jobs data. However, better-than-expected U.S. factory orders and services sector data weakened the Euro towards 1.1578 levels. Further, the Euro continued to weaken towards its weekly low at 1.1552 levels on back of broad Dollar strength as growing expectations for an upcoming U.S. rate hike continued to support demand for the greenback and investors continued to monitor progress on a U.S. tax bill. Weakness in the Euro was still weighed by the European Central Bank decision late last month to extend its bond purchases until September 2018. However, the Euro soon reversed losses and strengthened towards 1.1611 levels as investors awaited fresh information on the fate of a U.S. tax reform bill following reports that a key corporate tax cut currently under discussion in U.S. tax reforms plans could be delayed for one year. The Euro continued to trade strong towards 1.1640 levels with broad Dollar weakness caused by uncertainty in the passing of the Tax plan coupled with a report showing weakness in the US labor market after initial jobless claims rose more than expected. On the last trading day comments from ECB Governing Council member and decline in US Consumer sentiment helped Euro to gain strength and hit its weekly high of 1.1678 levels. Ewald Nowotny noted that instead of keeping the door open for further extension of bond purchasing program, ECB should have signaled a clear intent to end asset buys when the Current program ends in September. Euro ended the week on a positive note at 1.1663 levels.

Technical
Likely to move higher

Technical Outlook:

Week ahead: Cross has given a bullish close on the daily and weekly charts signalling an upmove towards 1.1690 and 1.1730 levels. A convincing break and close above the same shall push it to 1.1850 levels. Next key resistance lies at 1.1940 levels. On the downside, key support lies at 1.1550 levels. Technical indicators are signalling the same bullish momentum.

Key Support: 1.1550, 1.1460, 1.1345
Key Resistance: 1.1690, 1.1730, 1.1850

Advise: Exporters are advised to cover their near term receivables on spikes towards 1.1850 levels. Importers are advised to cover their near term payables on dips towards 1.1600 levels.

Upcoming Events

- WPI m/m(DE)
- Prelim WPI m/m GDP q/q(DE)
- Final CPI m/m(DE)
- Flash GDP q/q(EU)
- ZEW Economic Sentiment(DE)
- Industrial Production m/m(EU)
- ZEW Economic Sentiment(EU)
- Final CPI y/y(EU)
- Final Core CPI y/y(EU)
- Current Account(EU)

Fifth Wave

International Markets

GBP/USD
GBP closed the week at 1.3188 levels.

Technical
Likely to move higher

Upcoming Events

- Rightmove HPI m/m
- 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
- CB Leading Index m/m
- Retail Sales m/m

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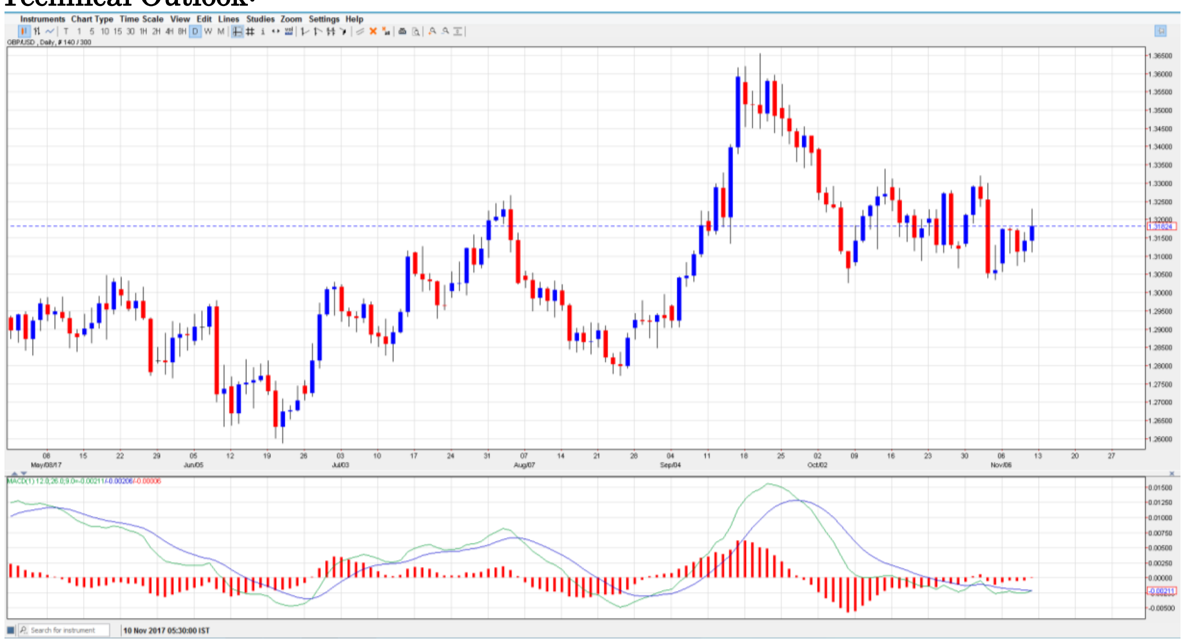
Sterling:
The British Currency opened the week at 1.3083 levels and initially weakened towards its weekly low at 1.3056 levels after better than expected US Factory orders and service sector data which increased hopes that the Fed will stick to its plan for gradual monetary tightening. Further, the Dollar also remained broadly higher amidst signs of progress on tax reform after Republic lawmakers began revising their proposed overhaul of the U.S. tax system. Going ahead, the Sterling remained a little volatile and traded sideways between 1.3180 levels to 1.3080 levels. Pound strengthened to 1.3177 levels on the release of better than expected housing data in the UK but soon declined to 1.3084 levels after the comments that chances of a potential BREXIT no-deal are rising, as they move within 16 months of the UK's exit from the EU. However, the Sterling regained some of its lost ground and traded on a firm note towards 1.3165 levels with broad Dollar weakness as traders tracked media reports suggesting that the Senate GOP are considering a one-year-delay in the implementation of corporate tax cuts. Towards the end of the week, the British currency continued to appreciate and zoomed to a weekly high of 1.3229 levels with a slew of positive economic releases. UK's Manufacturing Production, Trade Balance numbers followed by Industrial Production data, all printed a robust reading beating the expectation. Pound closed the week on a stronger note at 1.3188 levels.

Technical Outlook:



Week ahead: Cross has given a bullish close on the weekly charts after forming an inverted hammer signaling continuation of the upmove towards 1.3260 levels. A convincing break and close above the same shall push it to 1.3330 levels. Only a convincing break and close above the same shall push it to 1.3480 levels else the cross could face resistance at 1.3330 levels and resume its downmove. On the downside, key support lies at 1.3120 and 1.3030 levels. Technical indicators are signalling the same bullish momentum.

Key Support: 1.3120, 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.

For the week 13th Nov – 17th Nov 2017

International Markets

USD/JPY
Yen closed the week at 113.53 levels.

Technical
Likely to move lower

Upcoming Events
- PPI y/y
- Prelim Machine Tool Orders y/y
- Prelim GDP q/q

Japanese Yen:

The Japanese Yen opened the week at 113.98 levels and depreciated towards its weekly low at 114.72 levels after the contrasting monetary policy outlooks between the Federal Reserve and the Bank of Japan. Bank of Japan Governor Haruhiko Kuroda said that it will continue with its monetary easing policy, but added that the bank was closely watching the economic effects of prolonged stimulus. The Greenback was also boosted by better than expected US factory orders and services sector data. However, the Yen soon strengthened towards 113.68 levels with broad Dollar weakness amid signs of progress on tax reform after Republic lawmakers began revising their proposed overhaul of the U.S. tax system. Further, the Japanese unit soon traded at its weekly high towards 113.38 levels as the Dollar weakened after reports that Senate Republican leaders were thinking of postponing the implementation of the major corporate tax cut to comply with Senate rules. Some reports also said that the US tax reform plans could be delayed for another year. Further, the Japanese Yen continued to trade strong towards 113.08 levels after the release of disappointing U.S. jobless claims and as uncertainty over the fate of a major U.S. tax reform bill continued to weigh. On the last trading day, JPY broadly traded with a positive bias as US consumer confidence declined to 97.80 v/s previous number of 100.70. JPY ended the week at 113.53 levels.

Technical Outlook:

Week ahead: The pair has given bearish close on the short term charts signalling a downmove towards 113.00 levels. A convincing break and close below the same shall push it to 112.50 levels. Further any break could see the pair testing 112.00 and 111.45 levels. On the upside, key resistance lies at 114.30 followed by 114.70 levels. Technical indicators are signalling the same bearish momentum.

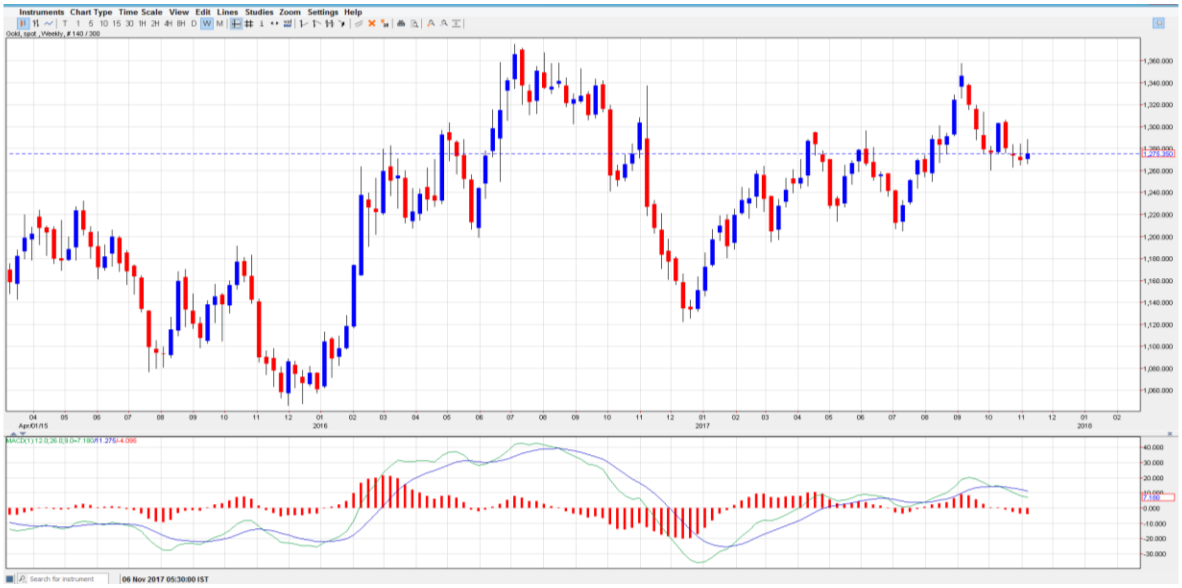
Key Support: 113.00, 112.00, 111.45
Key Resistance: 114.30, 114.70, 115.30

Advise: Importers are advised to cover their near term payables on spikes towards 114.00 levels. Exporters are advised to sell their near term receivables on dips towards 112.00 levels.

International Market

Likely to move higher

Gold



Week Gone by:
Gold opened the week at 1269.45 levels and initially started to move higher touching a high of 1288.34 levels. However, facing resistance at these levels and giving a bearish close last week, the yellow metal started to move lower and touched a low of 1266.01 levels. The yellow metal ended the week at 1276.06 levels.

Week Ahead:
The yellow metal has formed a bullish pattern (inverted hammer) on the weekly charts while is taking strong support at 1260.00 levels. Hence, the yellow metal is likely to move higher towards 1283.00 levels. A convincing break and close above the same shall push it to 1295.00 and 1315.00 levels. On the downside, further support lies at 1245.00 and 1230.00 levels. Technical indicators are signaling a bullish momentum.

Key Support: 1262.00, 1245.00, 1230.00
Key Resistance: 1283.00, 1295.00, 1315.00

Advise: Short term traders are advised to buy the yellow metal on dips towards 1270.00 levels targeting 1295.00 and 1315.00 levels while keeping a strict stop loss below 1260.00 levels.

Forex Calendar

Forex Calendar

Date	Time	Country	Data	Forecast	Previous
13/11/2017	05:20	JP	PPI y/y	3.1%	3.0%
13/11/2017	05:31	UK	Rightmove HPI m/m	-	-
13/11/2017	11:30	JP	Prelim Machine Tool Orders y/y	-	45.0%
13/11/2017	12:30	DE	WPI m/m	0.4%	0.6%
14/11/2017	00:30	US	Federal Budget Balance	-58.2B	8.0B
14/11/2017	12:30	DE	Prelim WPI m/m GDP q/q	0.6%	0.6%
14/11/2017	12:30	DE	Final CPI m/m	0.0%	0.0%
14/11/2017	15:00	UK	CPI y/y	3.1%	3.0%
14/11/2017	15:00	UK	PPI Input m/m	0.8%	0.4%
14/11/2017	15:00	UK	RPI y/y	4.1%	3.9%
14/11/2017	15:00	UK	Core CPI y/y	2.8%	2.7%
14/11/2017	15:00	UK	HPI y/y	5.2%	5.0%
14/11/2017	15:00	UK	PPI Output m/m	0.3%	0.2%
14/11/2017	15:30	EU	Flash GDP q/q	0.6%	0.6%
14/11/2017	15:30	DE	ZEW Economic Sentiment	19.8	17.6
14/11/2017	15:30	EU	Industrial Production m/m	-0.6%	1.4%
14/11/2017	15:30	EU	ZEW Economic Sentiment	29.3	26.7
14/11/2017	19:00	US	ZEW Economic Sentiment PPI m/m	0.1%	0.4%

For the week 13th Nov – 17th Nov 2017

14/11/2017	19:00	US	Core PPI m/m	0.2%	0.4%
15/11/2017	05:20	JP	Prelim GDP q/q	0.4%	0.6%
15/11/2017	15:00	UK	Claimant Count Change	2.4K	1.7K
15/11/2017	15:00	UK	Unemployment Rate	4.3%	4.3%
15/11/2017	15:30	-EU	Trade Balance	21.4B	21.6B
15/11/2017	19:00	US	CPI m/m	0.1%	0.5%
15/11/2017	19:00	US	Core CPI m/m	0.2%	0.1%
15/11/2017	19:00	US	Core Retail Sales m/m	0.2%	1.0%
15/11/2017	19:00	US	Retail Sales m/m	0.0%	1.6%
15/11/2017	20:00	UK	CB Leading Index m/m	-	-0.1%
16/11/2017	2:30	US	TIC Long-Term Purchases	34.6B	67.2B
16/11/2017	15:00	UK	Retail Sales m/m	0.2%	-0.8%
16/11/2017	15:30	EU	Final CPI y/y	1.4%	1.4%
16/11/2017	15:30	EU	Final Core CPI y/y	0.9%	0.9%
16/11/2017	19:00	US	Initial Jobless Claims	236K	239K
16/11/2017	19:45	US	Capacity Utilization Rate	76.3%	76.0%
16/11/2017	19:45	US	Industrial Production m/m	0.5%	0.3%
17/11/2017	14:30	EU	Current Account	30.2B	33.3B
17/11/2017	19:00	US	Building Permits	1.25M	1.23M
17/11/2017	19:00	US	Housing Starts	1.19M	1.13M

Column of the Week

Markets since demonetisation, in three charts

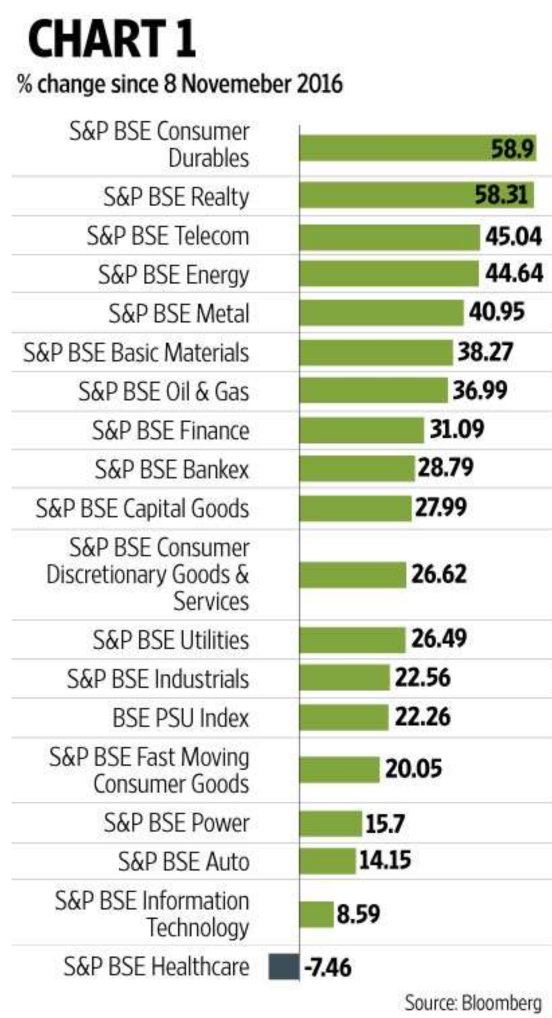
A year from the demonetisation of high-denomination currency on 8 November last year, benchmark equity index Sensex has gained more than 21%

A year from the surprise announcement of demonetisation of high-denomination currency on 8 November last year, benchmark equity index Sensex has gained more than 21%, after falling initially as lack of enough cash in the system hit consumption.

With earnings recovery not in sight, partly because of the rollout of the goods and services tax (GST) in July, the note bans further led to speed breakers for economic and corporate earnings recovery in Asia's third-largest economy.

On the brighter side, demonetisation triggered more inflows into equity mutual funds, driving up the market. That said, with earnings growth not catching up, valuations have become very stretched.

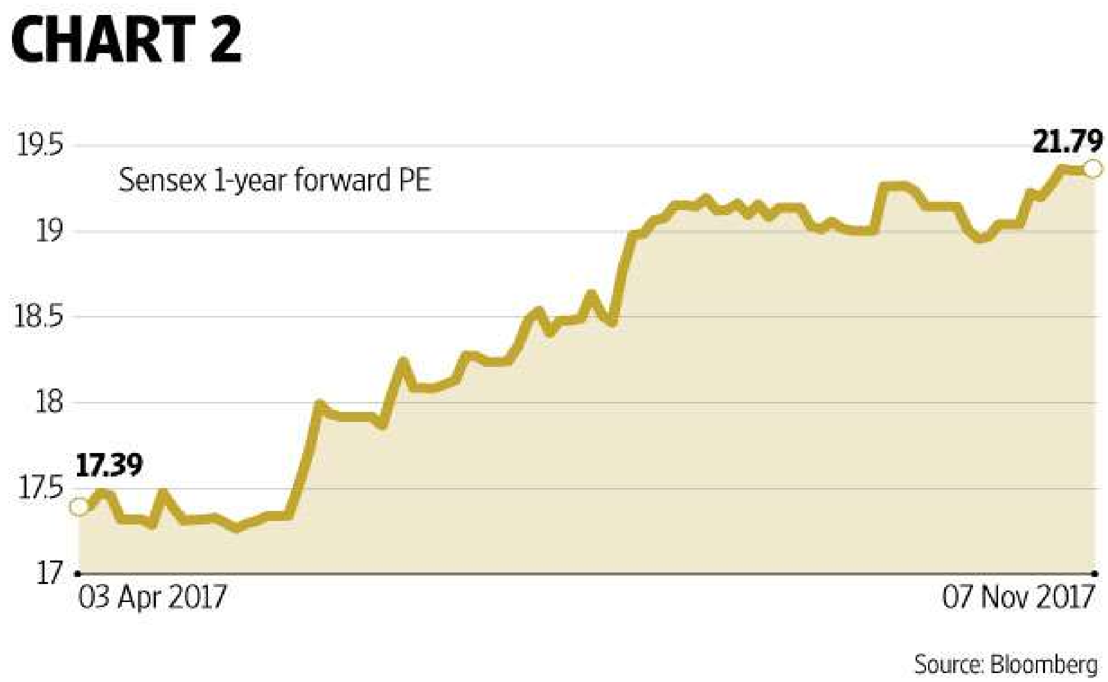
Performance of sectoral indices since demonetization



All the sectoral indices, with the exception of BSE Healthcare index, posted gains since then. While consumption took a hit, strong liquidity and an intact long-term growth story, propelled consumption-focused stocks higher too.

BSE Consumer Durables index was the top gainer among sectoral indices since demonetisation, as it logged 58.90% gains since then. This compared to 21.34% gains posted by the Sensex in the same period. BSE Realty followed next with a 78.31% gain, on the back of thrust on affordable housing by the government.

Elevated valuations



Demonetisation hit the Indian economy unexpectedly at a time when it was eagerly awaiting a revival in consumption demand.

The much-anticipated earnings recovery, on the back of a decent monsoon after two years of drought-like situation and implementation of the recommendations of the Seventh Pay Commission that left more money in the hands of the people, was pushed further.

However, a liquidity-driven rally, specifically backed by strong flows into mutual funds schemes, coupled with lagging earnings growth have driven up valuations to the expensive zone.

On 4 November, Sensex traded at 22.07 times fiscal year 2018 price to earnings, the highest in the current year so far.

Surge in inflows in equities

On the brighter side, demonetisation triggered more inflows into equity mutual funds, driving up the market.

Data from the BSE showed that domestic institutional investors pumped in a net of Rs95,962.97 crore in Indian shares since demonetisation to date.

Since demonetisation, flows into mutual funds have been very strong, especially in equity and balanced funds. From November 2016 to October 2017, equity funds have received inflows of Rs1.35 trillion and balanced funds have received Rs74,000 crore, Morningstar said, pointing that this represents a huge jump in the flows received in these categories a year prior to demonetisation.

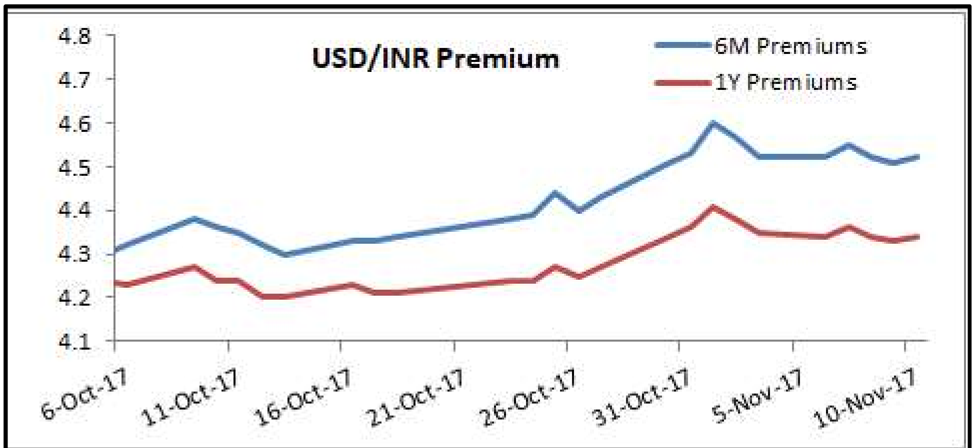
To be sure, falling bank deposit rates also helped the surge in inflows in mutual fund schemes.

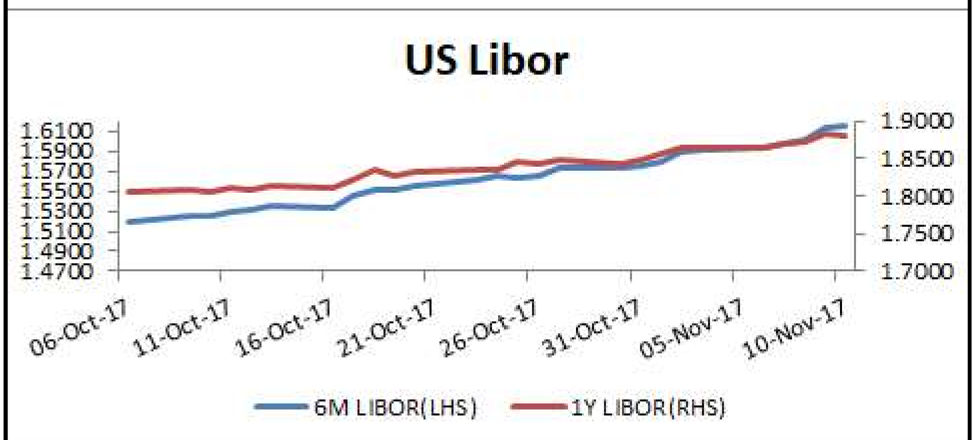
Another trend was the increasing participation from retail investors, as greater proportion of savings are seen getting deployed into financial assets.

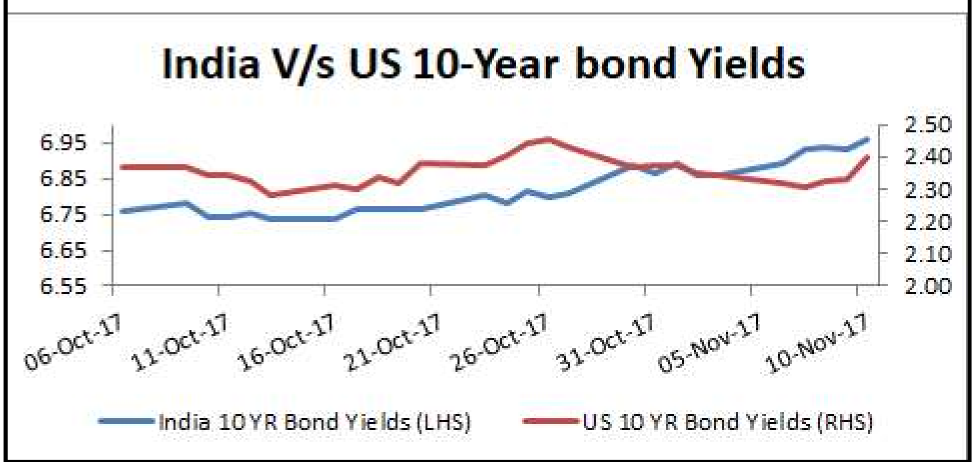
Individual investors accounted for 48.5% of the overall assets in September 2017, compared with 45.4% in October 2016.

Source: Live Mint

Graph'o'nomics







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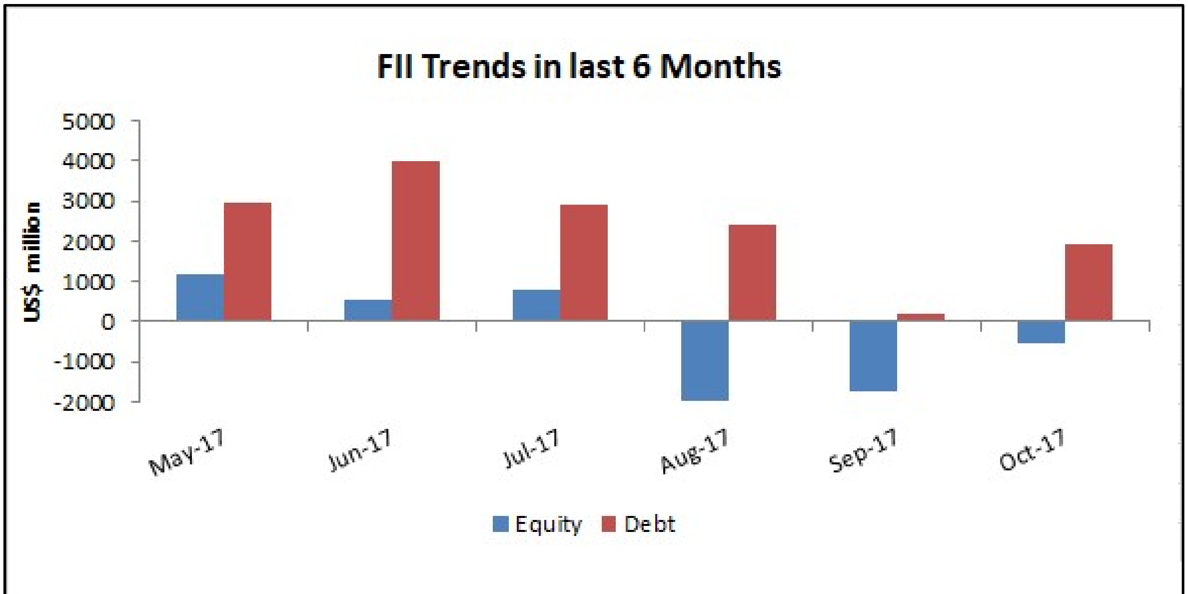
Graph'o'nomics



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	0.33	0.45	0.25	1.82	0.33	0.22	0.23	0.95
2 Month	0.50	0.77	0.51	1.50	0.50	0.28	0.49	0.57
3 Month	0.64	1.03	0.73	1.41	0.64	0.33	0.71	0.46
6 Month	1.00	1.83	1.47	1.25	1.00	0.42	1.45	0.29
9 month	1.31	2.56	2.17	1.18	1.31	0.50	2.15	0.23
1 Year	1.58	3.23	2.83	1.14	1.58	0.58	2.81	0.21