Contents

Fifth Wave

For the week ended 20th Aug – 24th Aug 2018

Global Summary	Close	High	Low	6-Mth Forward (Vs INR in % p.a.)
INR	69.9050	70.2300	69.5250	4.32%
GBP	1.2843	1.2936	1.2727	6.08%
EUR	1.1621	1.1639	1.1392	7.42%
JPY	111.2200	111.4800	109.7600	7.29%
CHF	0.9831	0.9968	0.9805	7.87%
AUD	0.7324	0.7381	0.7235	4.57%
CAD	1.3027	1.3103	1.2982	4.99%
MYR	4.1070	4.1100	4.0900	
SGD	1.3648	1.3745	1.3639	
THB	32.6000	33.2200	32.5600	
IDR	14,637	14,660	14,545	
KRW	1,114.33	1,126.57	1,112.00	
HKD	7.8494	7.8500	7.8488	
GOLD	1205.55	1208.45	1182.28	
SILVER	14.8	14.878	14.41	

SIX MONTH LIBOR

USD	GBP	JPY	CHF	EUR
2.52300	0.89863	0.02883	-0.65	-0.305

GLOBAL STOCK MARKET INDICES

Sensex	Hangseng	DJIA	Nikkei	FTSE	DAX	NASDAQ
38251.8	27671.87	25790.35	22601.77	7577.49	12394.52	7945.975
0.80%	1.68%	0.47%	1.49%	0.25%	1.51%	1.66%

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Mumbai: 022-25715001

Ahmedabad: 079-40603000
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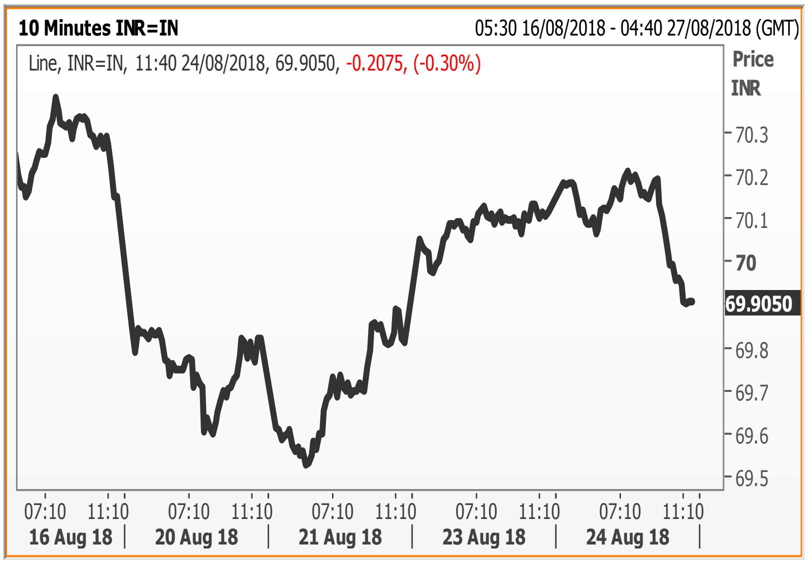
Delhi: 011-49456000
Hyderabad: 040-33456050
Kolkata: 033-22808715

Domestic Market

- Rupee closed the week at 69.9050 levels.
- FX Reserves decreased marginally to $400.85B from $400.88B as on 17th Aug 2018.

Domestic Markets

Weekly wrap up:



The Indian Rupee opened the week at 69.83 levels and appreciated thereafter tracking bullish sentiments in Asian equities and currencies. Markets were pretty much optimistic that the two powerhouses i.e. US and China shall come out with a breakthrough deal in the upcoming meeting (22-23 Aug). This kept the sentiments boosted in turn helping the Indian Rupee which made a gap down opening on the following day at 69.655 levels. Adding to this strength was the remark made by the US President who expressed his dissatisfaction on the fed rate hike pace while accusing China and EU in currency manipulation which pushed the global dollar lower. This helped the local unit to stay strong and hit its weekly high levels of 69.525 levels on Tuesday. However, sharp gains were restricted in the latter part of the day as bunched up dollar demand from importers prior to the market holiday kept the Rupee under pressure. Moreover, weakness in the Yuan currency after the US President made a comment on China calling them a currency manipulator kept all other Asian currencies under pressure affecting the Indian Rupee. Wednesday being a holiday Rupee made a gap up opening on Thursday at 70.02 levels owing to sudden rise in the US Dollar Index as markets discounted the FOMC Meeting Minutes. The US policymakers discussed raising interest rates soon to counter excessive economic strength but also examined how global trade disputes could batter businesses and households. Also, the US-China trade talks did not hint at any positive comments to halt a new round of US tariffs that was to start on Thursday which weakened the Yuan and affected all other Asian currencies as well. The weakness in Rupee continued on the next day as well pushing it to the weekly low levels of 70.23. Market sentiments were dented as the US and China meeting ended with no major breakthrough as their trade war escalated with activation of another round of dueling tariffs on $16 billion worth of each country's goods. Markets were cautious ahead of the US Fed Chair's speech in the Jackson Hole Symposium post market hours which kept the Rupee a bit volatile. The event shall be widely watched considering the contradictory view on interest rates from the Congress and Federal Reserve. Towards, the closing, RBI intervention and Dollar selling by exporters led rupee to strengthen and close the week at 69.9050 levels.

Going Forward:

After touching the weekly low of 70.23 levels, the Indian Rupee is expected to stabilize in the initial few days of the coming week to 69.70 levels. The US Fed Chair made a dovish comment in the recent Jackson Hole Symposium by saying that the ongoing trend in the US rate of inflation shall require gradual rate hikes. Apparently, the head policymaker was always in favor of faster rate hikes but the recent criticism by the US President played with Jerome's recent statement now supporting gradual pace. He also commented that the US interest rates are moving closer towards neutral. Neutral rates means, the federal fund rates have reached an equilibrium where it neither stimulates nor suppresses economic growth. After the comment the global dollar has gone south which means that the Indian Rupee shall strengthen in the next week at least for the initial few days. A move towards 69.50 can be witnessed in rupee. News of India raising foreign exchange of up to $60 billion in NRI Bonds has been doing the rounds for quite some time now hence any confirm news with respect to the same could do wonders for the Rupee. However, if Chinese Yuan weakens again, the weakness shall come back from the mid week bringing Rupee to the 70.20 levels once again. Break of 70.20 shall push the currency to 70.50 currency and above considering the failed trade talks between the US and China who are ready to impose fresh tariffs on $ 16 billion worth of goods on one another in coming days. Moreover, the fear of no-deal Brexit has resurfaced the markets once again after they were revealed of the UK government's plan of having no-deal Brexit. The informal October deadline to agree upon a deal is expected to get delayed with the EU holding an emergency summit in November to consider any Brexit agreement struck with Britain. Traders are expected to keep a watchful eye on this event which shall create some turbulence in the coming week. Also, the month-end dollar demand by importers shall add to the woes. Also, there are no economic data releases from India except for the GDP data that shall be released on Friday which shall prompt traders to concentrate on global factors for speculation. From the US front, there is Prelim GDP data release that could keep the global dollar a bit volatile influencing the trend of the Rupee. Any unusual weakness in the Indian Rupee shall bring the RBI to intervene at higher levels so as to keep the currency stable.

Advise:

Exporters are advised to cover their near term receivables on spikes towards 70.00-70.20 levels. Importers are advised to cover their near term payable (One month) on dips towards 69.50-69.60 levels.

Domestic Market

Likely to move higher

Forward Market

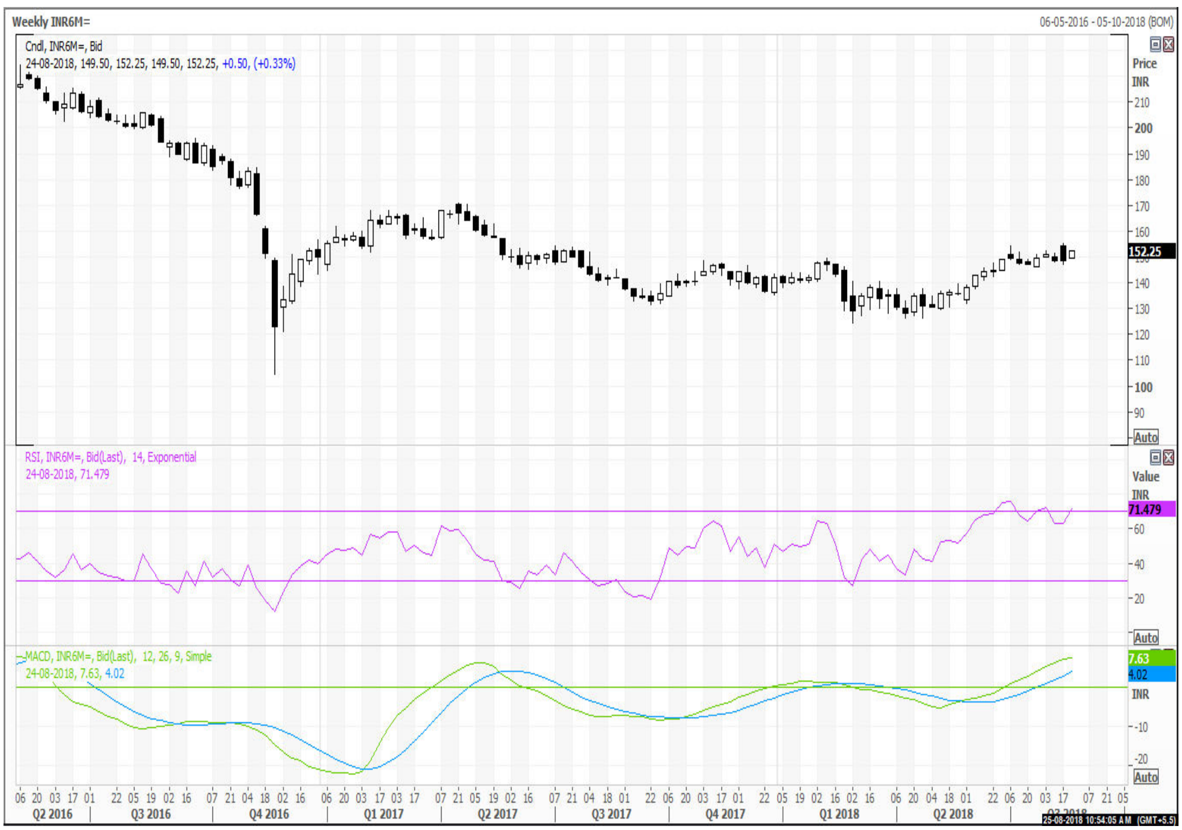
6 - month Premium (in Paisa)

6 month forward premia opened the week at its low of 149.50 paisa. Given a bullish close it started to move higher and touched high of 152.25 paisa, which also happens to be its closing levels.

Going Forward:

6 month forward premia has given a bullish close on the short term charts signaling an upmove towards 153.00 and 155.00 paisa. A convincing break and close above the same shall push it to 160.00 and 165.00 paisa. On the downside, key support lies at 145.00 and 142.50 paisa. Technical indicators are signaling the same bullish momentum.

Key Support: 145.00, 142.50, 138.00
Key Resistance: 153.00, 160.00, 165.00



Fifth Wave

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International Markets

EUR/USD
Euro closed the week at 1.1621 levels.

Technical

Likely to move higher

Upcoming Events

- (DE) Ifo Business Climate
- (DE) GfK Consumer Climate
- (DE) Import Prices m/m
- (DE) Prelim CPI m/m
- (DE) Unemployment Change
- (DE) Retail Sales m/m
- CPI Flash Estimate y/y
- Core CPI Flash Estimate y/y
- Unemployment Rate

Euro:

The Euro currency showed an uptrend this week. It opened the week at 1.144 levels and immediately slumped to its weekly low levels of 1.1392 owing to surge in global dollar prior to the proposed trade talks between the US and China (22-23 Aug). Investors hoped that this shall ease tensions between the world's two biggest economies. However, this assumption of the investors was short lived on the next day when the US President criticized the Fed team for hiking rates on a fast pace. He also accused Europe and China of currency manipulation which pushed the global dollar lower helping the shared currency. The bullish trend in Euro continued on Wednesday as well but to some extent as markets remained cautious ahead of the US-China meeting that kept them on a risk-off mode. On Thursday, there was a slight slump seen in the Euro currency as markets discounted the release of FOMC Meeting Minutes. The US Fed Chair made a good comment on the economy and hinted at more rate hikes in the near future which boosted the demand for the global dollar affecting the Euro in turn. Moreover, the failed meeting between the US and China put the trade war back to square one which affected the risk appetite of the investors hampering the shared currency all the more. Mixed release of economic datasets from Germany and France (manufacturing and service) kept the Euro sideways towards the end of the day. On the last day, markets discounted the ECB Meeting Minutes that highlighted the side effects of trade protectionism that could lead to global trade war which could be the biggest risks to the Euro-zone economy. On the flip side, the policymakers commented on the current Euro-zone's economy that remained firm with record high employment and solid prospects as growth was now fuelled by domestic consumption, including on the bloc's periphery. Even inflation was on the rise at 1.7, closer to ECB's target 2%. This prompted investors to expect a possibility of rewinding the bond buying program in September or October which boosted the demand for the Euro. Further, Fed Chair's speech suggested that the US interest rates are getting closer to neutral rates, which led to fall in US dollar across and pushing Euro to its weekly high levels of 1.1639. EURUSD closed the week at 1.1621 levels on Friday.

Technical Outlook:

Week ahead: Cross has given a bullish close on the short term charts signalling an upmove towards 1.1640 levels. A convincing break and close above the same shall push it to 1.1730 levels. Further resistance lies at 1.1855 levels. On the downside, key support lies at 1.1500 and 1.1450 levels. Technical indicators are signalling the same bullish momentum.

Key Support: 1.1500, 1.1450, 1.1380
Key Resistance: 1.1640, 1.1730, 1.1855

Advise: Importers are advised to cover their short term payables on dips towards 1.1500 levels. Exporters are advised to cover their near term receivables in a staggered manner on spikes towards 1.1730 and 1.1850 levels.

For the week 27th Aug – 31st Aug 2018

International Markets

GBP/USD
GBP closed the week at 1.2843 levels.

Technical
Likely to move higher

Upcoming Events

- BRC Shop Price Index y/y
- M4 Money Supply m/m
- GfK Consumer Confidence
- Nationwide HPI m/m

Sterling:
The Sterling Pound opened the week at 1.2738 levels and immediately made a weekly low of 1.2727 levels as the US Dollar Index surged higher and investors shifted their focus to impending talks that may decide whether Britain gets a trade deal with the European Union before it quits the bloc. Despite its safe haven attributes, the greenback weakened on the next day after the US President made a snarky comment on China, Euro-zone and the Federal Reserve which worked in favor of the Sterling Pound. On the next day, the bullish trend in Cable and bearish trend in US Dollar Index continued pushing the currency to its weekly high levels of 1.2936. However, sharp gains were later capped as traders continued to worry about the effects of a no-deal Brexit on the UK economy. Markets were revealed of the government's plan of having no-deal Brexit which dented the sentiments affecting Pound. The weak trend continued on the next day as well owing to surge in global dollar after the release of FOMC Meeting Minutes that hinted at the possibility of two more rate hikes in 2018 as expected. The minutes also highlighted how global trade disputes could affect businesses and households, suggesting that the market's perceived path for monetary tightening would have to change if the trade conflict upsets the U.S. economy. If this was not enough, the two day meeting between the US and China ended with no breakthrough deal with both nations imposing tariffs on $ 16Billon worth goods on one another in coming days. On Friday, after initial weakness the Cable surged higher towards the end on account of fall in global dollar after the US Fed Chair made a dovish comment in the recent Jackson Hole Symposium. He said that ongoing trend in the US rate of inflation shall require gradual rate hikes which went against his previous hawkish comments affecting the market sentiments. He also commented that US interest rates are moving towards neutral which dampened demand for US Dollar across and helped the Pound currency to surge despite the Brexit fears. GBPUSD ended the week at 1.2843 levels.

Technical Outlook:

Week ahead: Cross has formed a strong support at 1.2800 levels while has given a bullish close on the weekly charts signaling a upmove towards 1.2950 levels with an interim resistance at 1.2880 levels. A convincing break and close above 1.2950 levels shall open up the gateway for a swift upmove towards 1.3050 levels. Further resistance lies at 1.3120 levels. On the downside, key support lies at 1.2610 levels. Only a break and close below the same shall negate the above view and open up the gateway for a swift downmove towards 1.2580 and 1.2500 levels. Technical indicators are signalling the same bullish momentum.

Key Support: 1.2800, 1.2610, 1.2580, 1.2500
Key Resistance: 1.2950, 1.3050, 1.3120

Advise: Importers are advised to cover their very near term payables on dips towards 1.2800 levels. Exporters are advised to cover their short term receivables in a staggered manner on spikes towards 1.2950 and 1.3050 levels.

For the week 27th Aug – 31st Aug 2018

International Markets

USD/JPY
Yen closed the week at 111.22 levels.

Technical
Likely to move higher after a dip

Upcoming Events

- BOJ Core CPI y/y
- Consumer Confidence
- Retail Sales y/y
- Tokyo Core CPI y/y
- Unemployment Rate
- Prelim Industrial Production m/m
- Housing Starts y/y

Japanese Yen:

Japanese Yen had an eventful week this time. It opened the week at 110.51 levels and appreciated thereafter as markets awaited the much talked about event i.e. US-China trade talks on 22-23 Aug which prompted them to move towards safe haven assets like Yen and US Dollar Index. The demand for safe haven Yen was so huge that despite strong global dollar it remained higher. On the next day, the rally in Yen continued marking weeks' high at 109.76 levels owing to weakness in greenback after the US President expressed his dissatisfaction with the Federal Reserve who were raising rates at a faster pace. He also accused Europe and China of currency manipulation which bought back jitters into the markets boosting the demand for safe-haven Yen. On Wednesday, the strength in Yen departed, coming back to the negative territory. The weakness intensified on Thursday after the FOMC Meeting Minutes hinted at the possibility of two more rate hikes in 2018 as expected owing to improved economic conditions of the US. This pushed the global dollar higher. Despite the failed trade talks between the US-China that ideally should have boosted the demand for safe haven Yen, the currency pair still weakened. Reason behind this prolonged weakness could be blamed on the disappointing release of inflation data from the nation that came lower than the expected levels. Despite an ultra-accommodative monetary policy, Japan's inflation remains stubbornly low. Since the inflation target is of 2 percent, there is no pressure on policymakers to even contemplate a rate hike in the near future. It would also be a setback for Shinzo Abe's reflationary 'Abenomics' policies, as he eyes re-election in his ruling party's leadership race in September. The weakness continued on the next day as well pushing Yen to its weekly lower levels of 111.48. However, the weak trend was temporary as USDJPY once again gained towards the end of the day after the US Fed Chair made a dovish comment in the recent Jackson Hole Symposium. He commented that US interest rates are moving towards neutral which dampened demand for US Dollar across USDJPY closed the week at 111.22 levels on Friday.

Technical Outlook:

Week ahead: The pair has given a bearish close on the daily chart while has met resistance at 111.45 levels. Hence initially the pair is likely to dip lower towards 110.70 levels from where it could take support and resume its upmove. On the upside, a convincing break and close above 111.45 levels shall open up the gateway for a swift upmove towards 112.00 levels. Further, resistance lies at 113.20 levels. On the downside, next key support lies at 109.60 and 109.00 levels. Technical indicators are signalling a bullish momentum.

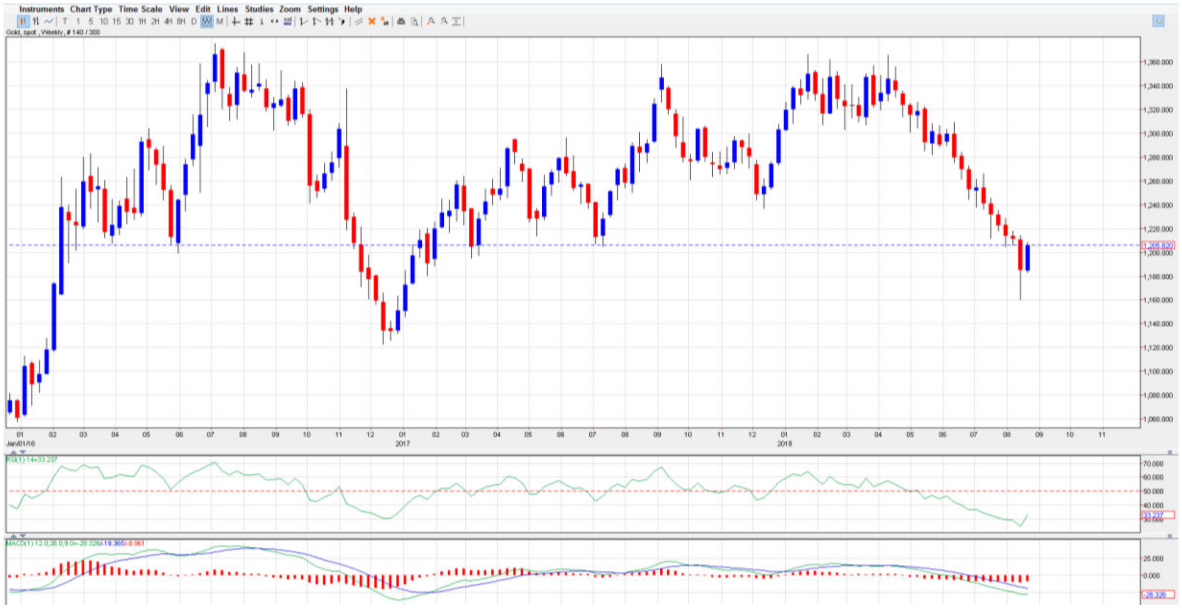
Key Support: 110.70, 109.60, 109.00
Key Resistance: 111.45, 112.00, 113.45

Advise: Exporters are advised to sell their near term receivables on dips towards 110.70 levels. Importers are advised to cover their near term payables in a staggered manner on spikes towards 112.00 and 113.00 levels.

International Market

Likely to move higher

Gold



Week Gone by:
Gold opened the week at 1183.36 levels and initially dipped to 1182.28 levels. Finding support at these levels and giving a bullish close on the daily charts, the yellow metal started to move higher and touched a high of 1208.45 levels. The yellow metal ended the week near its high at 1205.55 levels.

Week Ahead:
The yellow metal has given a bullish close on the daily and weekly charts signaling an upmove towards 1220.00 and 1225.00 levels. A convincing break and close above the same shall push it to 1245.00 and 1265.00 levels. Further resistance lies at 1282.00 levels. On the downside, key support lies at 1182.00 levels. Only a convincing break below the same shall push it to 1165.00 levels. Technical indicators are signaling the same bullish momentum

Key Support: 1182.00, 1165.00, 1145.00
Key Resistance: 1225.00, 1245.00, 1265.00

Advise: Short term traders are advised to buy the yellow metal on dips towards 1200.00 levels targeting 1225.00 and 1245.00 levels keeping a strict stop loss below 1180.00 levels.

Forex Calendar

Date	Time	Currency	Data	Forecast	Previous
27/08/2018	13:30	DE	Ifo Business Climate	101.90	101.70
28/08/2018	10:30	JP	BOJ Core CPI y/y	0.30%	0.40%
28/08/2018	18:00	US	Goods Trade Balance	-68.6B	-67.9B
29/08/2018	4:31	UK	BRC Shop Price Index y/y	-	-0.30%
29/08/2018	10:30	JP	Consumer Confidence	43.40	43.50
29/08/2018	11:30	EU	DE GfK Consumer Climate	10.60	10.60
29/08/2018	18:00	US	Prelim GDP q/q	4.00%	4.10%
29/08/2018	19:30	US	Pending Home Sales m/m	0.60%	0.90%
30/08/2018	5:20	JP	Retail Sales y/y	1.30%	1.70%
30/08/2018	11:30	EU	DE Import Prices m/m	0.00%	0.50%
30/08/2018	All Day	EU	DE Prelim CPI m/m	0.20%	0.30%
30/08/2018	13:25	EU	DE Unemployment Change	-8K	-6K
30/08/2018	14:00	UK	M4 Money Supply m/m	0.20%	-0.30%
30/08/2018	18:00	US	Personal Spending m/m	0.40%	0.40%
30/08/2018	18:00	US	Personal Income m/m	0.40%	0.40%
30/08/2018	18:00	US	Initial Jobless Claims	211K	210K
31/08/2018	4:31	UK	GfK Consumer Confidence	-11	-10
31/08/2018	5:00	JP	Tokyo Core CPI y/y	0.80%	0.80%
31/08/2018	5:00	JP	Unemployment Rate	2.40%	2.40%
31/08/2018	5:20	JP	Prelim Industrial Production m/m	0.30%	-1.80%
31/08/2018	10:30	JP	Housing Starts y/y	-4.30%	-7.10%
31/08/2018	11:30	DE	Retail Sales m/m	-0.20%	1.20%
31/08/2018	11:30	UK	Nationwide HPI m/m	0.10%	0.60%
31/08/2018	14:30	EU	CPI Flash Estimate y/y	2.10%	2.10%
31/08/2018	14:30	EU	Core CPI Flash Estimate y/y	1.10%	1.10%
31/08/2018	14:30	EU	Unemployment Rate	8.20%	8.30%
31/08/2018	19:30	US	Revised UoM Inflation Expectations	-	2.90%

Has the Emerging-Economy Crisis Cycle Ended?

Judging by the limited contagion from the Turkish crisis, it seems that longstanding patterns in emerging markets may no longer apply. But that does not mean that emerging economies are in the clear; on the contrary, they still have plenty to worry about, not least an escalating trade war.

Crises are nothing new for emerging economies, which have repeated the same patterns again and again, with often-devastating results. But have those patterns finally been broken?

Emerging economies have experienced boom-bust cycles in external financing for decades. The boom phase generates current-account, fiscal, and private-sector deficits – outcomes that are compounded by increases in domestic financing. Eventually, however, high debt levels lead to a loss of confidence and sharp cuts in external financing – a so-called sudden stop – producing balance-of-payments, fiscal, and financial crises.

Then, contagion sets in, as increasingly risk-averse investors, particularly short-term investors from developed-country markets, begin to withdraw funds from other countries to cover losses they incurred in the economies where the crises originated. With that, the crises spill across borders, affecting whole regions or even the entire class of emerging economies.

That is what happened in Latin America in the 1980s, when Mexico's moratorium on external debt servicing in August 1982 sparked a region-wide debt crisis. The same thing occurred in East Asia in the 1990s: the crisis began in Thailand in July 1997 with the collapse of the baht, and quickly spread to other East Asian countries. It became a broad-based emerging-economy crisis in August 1998, after Russia imposed a moratorium on payments by commercial banks to foreign creditors.

The 2008 crisis played out a bit differently. It began in the developed world, with the fall of the US investment bank Lehman Brothers that September, and initially spread to emerging economies. But, after just over a year, the bust became a boom, as expansionary monetary policies in the developed world drove yield-seeking investors toward emerging markets.

The question that is now being hotly debated is whether this financing boom planted the seeds of a new emerging-economy crisis. We may soon learn the answer. After all, as history shows, all it takes is for one country to break down. Today, that country could be Turkey.

Last week, the Turkish lira plummeted, triggering the depreciation of more currencies, especially those of South Africa and Argentina, though all floating Latin American currencies also faced depreciation, as did those of the Czech Republic, Poland, Russia, and several East Asian countries, including China. Risk premia increased, and equity prices fell.

It is impossible to say for sure whether a new broad-based crisis is in the offing. After all, it would have been difficult to predict that the 1982 Mexican moratorium and the 1997 collapse of the baht would generate broad-based, protracted crises, or that the 2008 crisis would only briefly sweep up the emerging economies.

For the week 27th Aug – 31st Aug 2018

Nonetheless, there are reasons to think that old patterns may no longer apply. At its peak, during the week of August 8-15, the currencies of Argentina, South Africa, and Turkey depreciated by 8-14% against the US dollar. Yet the currencies of other emerging economies depreciated by no more than 4%.

This suggests that contagion is not taking hold as easily as it has in the past, and that broad-based sudden stops may be less likely. Even the most affected economies were able to limit the fallout of their currency collapses, with the Turkish authorities' swift response to the lira collapse and the Argentinian central bank's sharp interest-rate hikes having partly calmed markets.

This seems to reflect a new resilience to contagion that has formed over the last ten years or so. Emerging economies' external financing was barely affected by the eurozone crisis, which peaked in 2011-2012, or the US Federal Reserve's initial announcement, in 2013, that it would roll back its expansionary monetary policies. Even the commodity-price drop of 2014, which weakened the currencies of several commodity-exporting economies, brought no sudden stop in external financing. And the wave of capital flight from China in 2015 and early 2016 produced no broad-based effects.

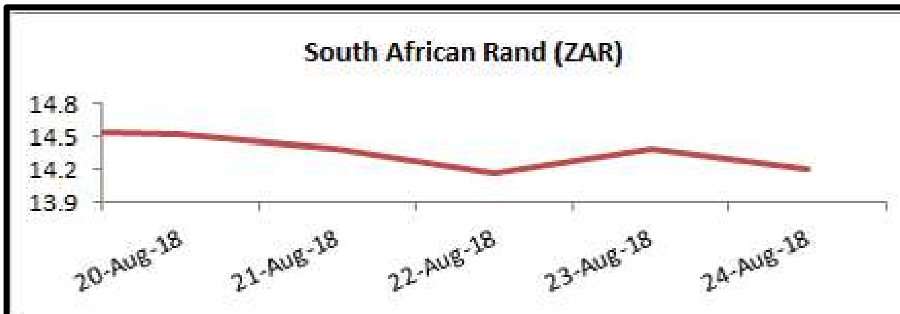
This may be because investors are now taking a more nuanced approach to their analyses of country risk. Instead of painting all emerging economies with the same brush, they are accounting for each country's economic fundamentals, domestic political stability, and relationships with others (for example, Turkey's current diplomatic tensions with the United States).

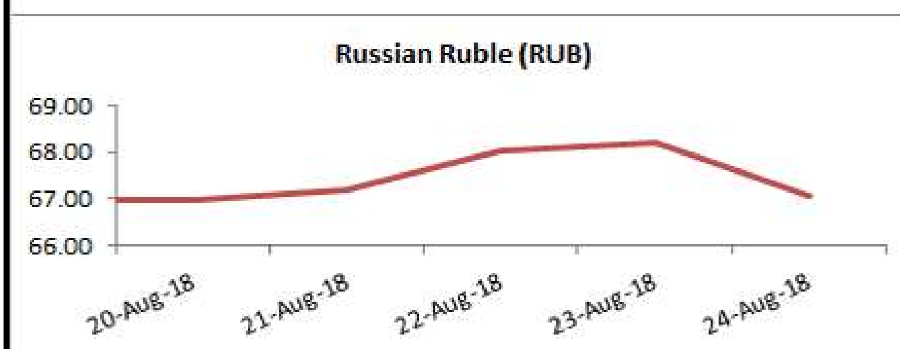
So, judging by the limited contagion from the Turkish crisis, and from other recent episodes, it seems that old patterns may no longer obtain. But that does not mean that emerging economies are in the clear. On the contrary, they still have plenty to worry about, not least rising protectionist sentiment and trade tensions among major global powers. Smart policies, together with an improved global financial safety net from the International Monetary Fund, therefore remain of the utmost importance.

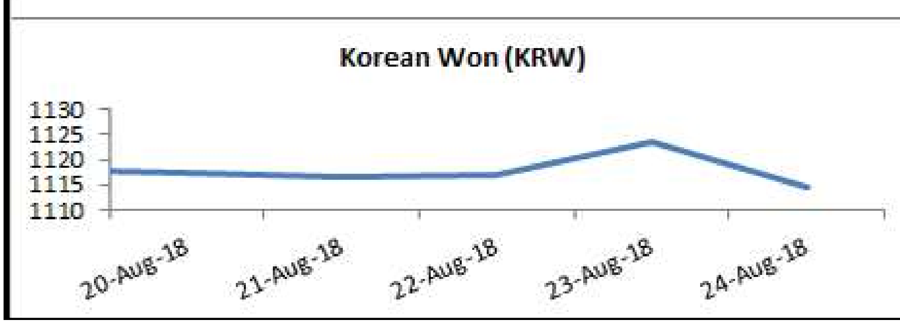
Source: Project Syndicate

Graph'o'nomics

Emerging Market Currencies







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Graph'o'nomics

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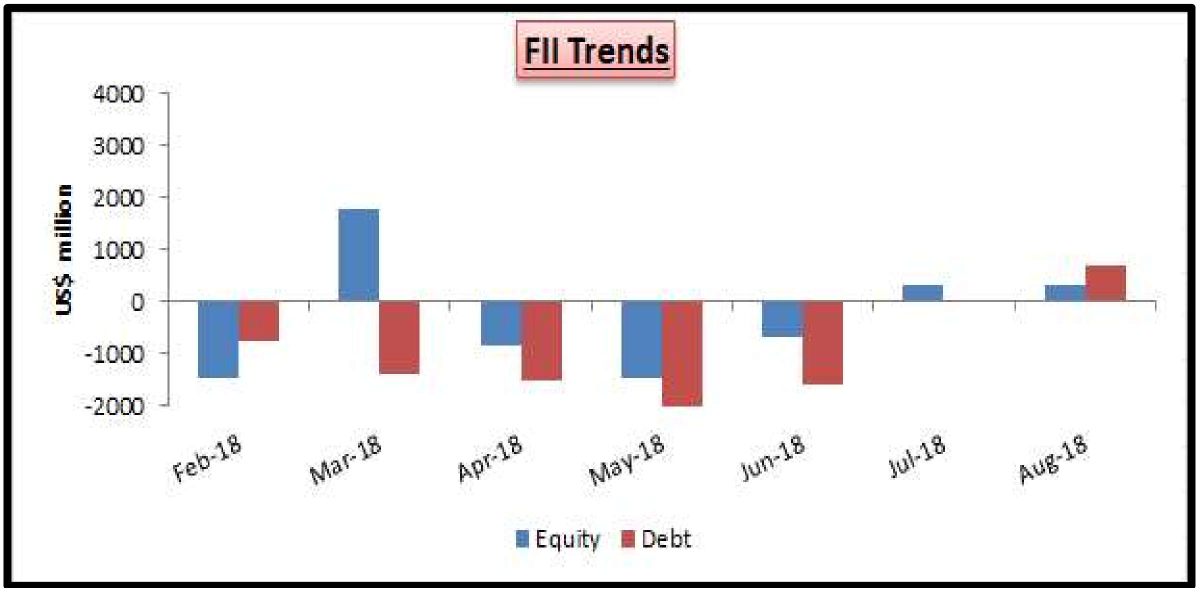

Option Pricing

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	0.54	0.66	0.25	2.69	0.54	0.40	0.23	1.74
2 Month	0.71	0.98	0.50	1.95	0.71	0.46	0.48	0.94
3 Month	0.88	1.28	0.79	1.63	0.88	0.52	0.77	0.67
6 Month	1.23	2.06	1.49	1.39	1.23	0.57	1.47	0.39
9 Month	1.49	2.76	2.23	1.24	1.49	0.59	2.21	0.27
1 Year	1.74	3.44	2.97	1.16	1.74	0.61	2.95	0.21