Contents

Fifth Wave

For the week ended 6th Aug – 10th Aug 2018

Global Summary	Close	High	Low	6-Mth Forward (Vs INR in % p.a.)
INR	68.8250	69.0200	68.4500	4.29%
GBP	1.2767	1.3017	1.2721	6.07%
EUR	1.1410	1.1628	1.1383	7.30%
JPY	110.9200	111.5200	110.4800	7.26%
CHF	0.9952	0.9984	0.9892	7.82%
AUD	0.7301	0.7453	0.7278	4.46%
CAD	1.3143	1.3153	1.2957	4.96%
MYR	4.0830	4.0870	4.0630	
SGD	1.3733	1.3737	1.3611	
THB	33.3200	33.3800	33.1200	
IDR	14,470	14,490	14,390	
KRW	1,129.17	1,132.00	1,115.50	
HKD	7.8495	7.8499	7.8479	
GOLD	1210.85	1217.85	1205.4	
SILVER	15.272	15.509	15.23	

SIX MONTH LIBOR

USD	GBP	JPY	CHF	EUR
2.51213	0.89925	0.02317	-0.6494	-0.31071

GLOBAL STOCK MARKET INDICES

Sensex	Hangseng	DJIA	Nikkei	FTSE	DAX	NASDAQ
37869.23	28366.62	25313.14	22298.08	7667.01	12424.35	7839.11
0.83%	2.49%	-0.59%	-1.01%	0.10%	-1.52%	0.35%

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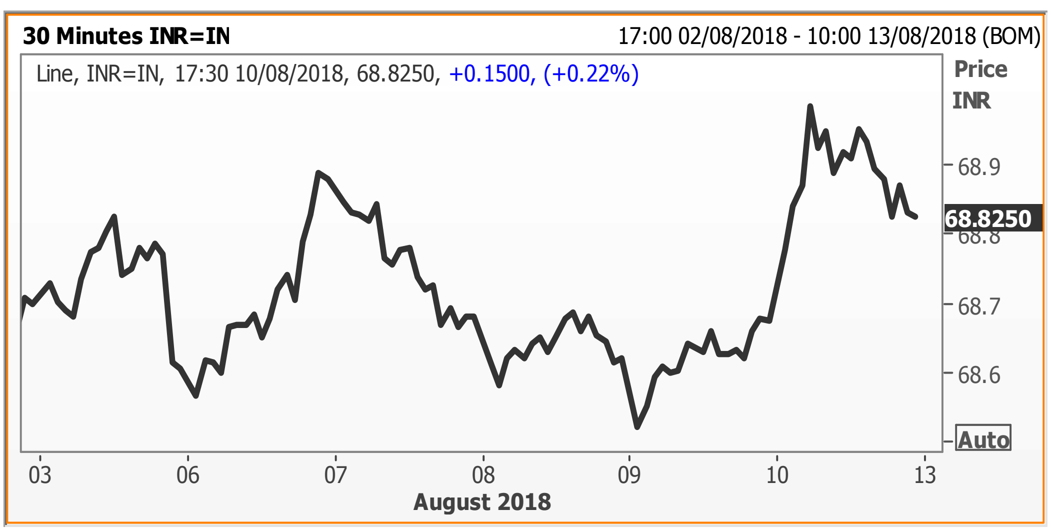
Domestic Market

- Rupee closed the week at 68.8250 levels.
- India's Jun Industrial Production YY data surged to 7.00% from prior 3.20%.
- India's Jun Manufacturing Production YY data surged to 3.90% from prior 2.80%.
- FX Reserves decreased marginally to $402.70B from $404.19B as on 3rd Aug 2018.

Domestic Markets

Weekly wrap up:

The Indian Rupee made a lot of up's and down's this week. It initially started off the week at 68.57 levels and moved towards 68.89 levels tracking the negative trend in Yuan currency after a Chinese newspaper accused the US President of acting like a street fighter in his trade policy of imposing tariffs and that China would not surrender to his "extortion." This negative trend in Rupee continued on the next day too amid tensions between US-China and the re-imposition of Iran sanctions that kept the global markets in red. However, sharp losses in Rupee was capped owing to dollar selling by exporters at higher levels coupled with slight rebound seen in the Yuan currency. On Wednesday, the Indian Rupee traded in a tight range between 68.57 to 68.70 levels tracking the bullish sentiments in Asian equities amid ongoing earning season coupled with increased trade fears between US-China after the US Administration commented on imposing 25 percent tariffs on $16 billion of Chinese imports from Aug. 23 that kept Yuan and other Asian currencies under pressure. On Thursday, the Indian Rupee made a gap down opening at 68.48 levels and touched its weekly high levels of 68.45 levels owing to fall in crude prices by around 3 percent overnight and PBOC intervention that helped Yuan to strengthen. However, this positive trend in Rupee was short-lived as Rupee moved north owing to increased fears between US-Russia after the former threatened to impose fresh sanctions on the latter in relations to the nerve agent attack on a former Russian spy in the UK. On the last trading day, the Indian Rupee made a gap up opening at 68.83 levels and depreciated to its weekly low levels of 69.02 levels owing to surge in DXY that climbed to its highest in a year amid a broad decline in emerging market currencies like Russian Ruble, Turkish Lira and Chinese Yuan. The sudden depreciation in Turkish Lira after the Turkish diplomat failed to come up with any solution with the US to remove tensions between the US-Turkey, pushed the Euro to lower levels helping the Dollar Index to surge that kept the Rupee weak. USDINR closed the week at 68.8250 levels on Friday.



Going Forward:

In the coming week, Rupee could retest its all time low. The sharp fall in major cross currencies against USD especially EUR and GBP shall keep rupee pressurized. The last few days has given the Indian Rupee ample of factors to trade in a volatile manner. This shall continue in the coming week as well but being a holiday shortened one we could see Rupee going under huge pressure. The recent crisis in the emerging market currencies like Turkish Lira, Russian Ruble and Yuan has already created havoc like scenario for other currencies. The recent imposition of sanctions by the US on Russia in relations to the nerve agent attack on a former Russian spy in the UK has already weakened the Ruble currency and is expected to continue in the coming days as well. With respect to Turkish Lira, the imprisonment of an American pastor in Turkey on charges of terrorism prompted the US President to impose sanctions on Turkey. To resolve the issues between the US and Turkey a Turkish diplomat visited the US officials but returned without any solution denting the market sentiments, dropping the Lira like a rock. Moreover, the ongoing unresolved trade tariff wars between the two powerhouses i.e. US-China has kept the Yuan currency on the burner affecting other Asian currencies as well. All of these factors have affected the Indian Rupee which is expected to continue in the coming week as well. The Indian Rupee in the NDF market is also trading at higher levels therefore we could see Rupee depreciating to 69.20-69.30 levels in the days ahead, a break of which could create panic as rupee moves to unchartered territories. With ample of datasets from the nation like CPI, WPI and balance of trade and the US like retail sales, building permits, industrial production etc could keep the dollar index volatile and Rupee pressurized. However, any unusual move shall invite RBI intervention and dollar selling by exporters at higher levels keeping the rupee stable. If RBI manages to protect rupee again and bring it below 68.80 levels then exporters too shall start selling and bring rupee back towards 68.50-68.60 levels.

Advise:

Exporters are advised to cover their near term receivables on spikes towards 69.10 and higher levels. Importers are advised to cover their near term payable (One month) on dips towards 68.60 levels.

Domestic Market

Likely to move lower

Forward Market

6 - month Premium (in Paisa)

6 month forward premia opened the week at 150.25 paisa and initially touched a high of 151.50 paisa. Facing resistance at these levels it started to move lower and dipped to 148.25 paisa. 6 month forward premia ended the week at 148.75 paisa.

Going Forward:

6 month forward premia has given a bearish close on the short term charts signaling an downmove towards 145.00 paisa. A convincing break and close below the same shall push it to 142.00 and 138.00 paisa. On the upside, key resistance lies at 151.00 and 153.00 paisa. Further resistance lies at 160.00 paisa. Technical indicators are signaling the same bearish momentum.

Key Support: 145.00, 142.50, 138.00
Key Resistance: 151.00, 153.00, 160.00

International Markets

EUR/USD
Euro closed the week at 1.1410 levels.

Technical

Likely to move lower

Upcoming Events

- Prelim GDP q/q (DE)
- Final CPI m/m (DE)
- Final CPI m/m (French)
- Flash GDP q/q (EU)
- ZEW economic sentiment (DE)
- WPI m/m (DE)
- Trade Balance (EU)
- Current Account (EU)
- Final CPI y/y (EU)
- Final Core CPY y/y (EU)

Euro:

This week the investors saw the free fall in the common currency from the higher levels of 1.1628 to the lower levels of 1.1383 levels. Reasons behind this vast downfall have been elaborated below.

The Euro currency opened the week at 1.1571 levels and traded lower from thereon as the trade spat between US-China kept the investors on a risk-off mode. This was evident in European markets that traded in red giving slight pressure to the Euro currency. On Tuesday, this weak trend got a relief and Euro moved higher as robust earnings season brought cheers to the markets keeping the European stocks higher and Euro supportive. Moreover, weak job openings report from the US came out to be weak giving further support to the Euro. The rally continued on the next day as well pushing the shared currency to the weekly height of 1.1628 levels. However, towards the end of the trading day the Brexit concerns seeped in, putting pressures on the pair. The lack of agreement between the UK and EU over negotiation deal infused jitters into the markets. On Thursday, the pair continued with its bearish trend. The currency crisis in Turkish Lira after the US President threatened to impose sanctions on Turkey affected the Euro currency as the European banks have huge exposures and long positions of the equities and currency of the country. This negative trend continued on the last trading day as well. On Friday, a Turkish diplomat who went to meet the US Administration to sort out the differences came back without any solutions creating havoc like situation for the global markets. The sudden weakness in Turkish Lira spread through the Euro currency that slumped to its weekly low levels of 1.1383 levels. This fall in Euro and other emerging market currencies gave the Dollar Index huge support. Moreover, the uncertainty surrounding the Brexit Negotiations added to the woes. It was said that the UK PM was asking her ministers to vote for a no deal which could further delay the negotiations as the deadline loomed closer. EURUSD closed the week at 1.1410 levels.

Technical Outlook:

Week ahead: Cross has formed a big bearish candle on the daily and weekly chart while has given a close below 1.1500 levels signalling continuation of the downmove. On the downside, key support lies at 1.1365 levels. A convincing break and close below the same shall push it to 1.1280 levels. On the upside, key resistance lies at 1.1500 levels. Only a break and close above the same shall extend the gains in the pair towards 1.1640 levels. Technical indicators are signalling the same bearish momentum.

Key Support: 1.1365, 1.1280, 1.1200
Key Resistance: 1.1500, 1.1640, 1.1730

Advise: Importers are advised to cover their short term payables on dips towards 1.1365 levels. Exporters are advised to cover their near term receivables in a staggered manner on spikes towards 1.1500 and 1.1580 levels.

International Markets

GBP/USD
Pound closed the week at 1.2767 levels.

Technical

Likely to move lower

Upcoming Events

- Unemployment rate
- CPI y/y
- PPI input m/m
- RPI m/m
- Core CPI y/y
- HPI y/y
- PPI output m/m
- Retail sales m/m

Sterling:

The Sterling Pound opened the week at 1.3009 and immediately surged to its weekly high levels of 1.3017 levels thereafter declining as the Brexit fears flared up, draining the political energy and harming the social welfare programs with corporate recruitments which could be seen in the UK's economic data releases in the recent days. Further, stronger dollar amid the trade war jitters which boosted the demand for the American currency owing to its safe-haven attributes. On the next day, the losses in Pound continued as a recent report showed that the chances of a no Brexit deal was 60-40 which dented the market confidence keeping the Pound in doldrums for two consecutive days i.e. Tuesday and Wednesday. Investors now took the recent comment made by the BoE governor seriously that the chances of a no-deal Brexit was uncomfortably high and without a deal the UK and its trading partners would suffer an economic downturn. This negative sentiment continued on Thursday as well. Moreover, rising geo-political tensions in Russia, Turkey and China kept the traders on a risk-off mode affecting the Pound currency all the more. On Friday, fall in emerging market currencies boosted the demand for the American currency affecting the Pound currency in turn. Moreover, the UK PM Theresa May has been asking her ministers to vote for no-deal Brexit whereas asking her government to step up preparations in case of a no-deal added to the woes. Also, the disappointing release of GDP data from the nation added to Pound's distress pushing the currency to its weekly low levels of 1.2721. GBPUSD closed the week at 1.2767 levels on Friday.

Technical Outlook:

Week ahead: Cross has formed an extremely bearish candle on the daily and weekly chart signaling continuation of the southward movement. On the downside, key support lies at 1.2640 levels. A convincing break and close below the same shall push it to 1.2580 and 1.2500 levels. On the upside, key resistance lies at 1.2780 levels. Next key resistance lies at 1.2850 levels. Technical indicators are signalling the same bearish momentum.

Key Support: 1.2640, 1.2580, 1.2500
Key Resistance: 1.2780, 1.2850, 1.2960

Advise: Importers are advised to cover their near term payables in a staggered manner on dips towards 1.2640 and 1.2580 levels. Exporters are advised to cover their short term receivables on spikes towards 1.2780 levels.

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International Markets

JPY/USD

Yen closed the week at 110.92 levels.

Technical

Likely to move lower

Upcoming Events

- Trade Balance

Japanese Yen:

The Japanese Yen had all the reasons this week to showcase its safe haven attributes, all thanks to the uncertain events happening all around the world from Turkey to Russia. The Yen currency opened the week at 111.19 levels and depreciated to its weekly low levels of 111.52 levels owing to slight strength seen in the American currency. This meager weakness in the Yen currency was short-lived and the Yen currency moved south on the next day. On Tuesday, a Chinese newspaper stated how unreasonable the US President's actions were and that the Dragon nation was ready for retaliation. This infused jitters in the markets boosting the demand for safe-haven yen. On Wednesday, further gains to the Yen was added ahead of the trade talks between the US-Japan where the latter will enter talks seeking to avert steep tariffs on its car exports and fend off US demands for a bilateral free trade agreement. Also, speculation over when the Bank of Japan will exit its ultra-easy monetary policy acted as a positive factor. On Thursday, in an apparent reflection of concern among investors about an uptick in geopolitical tensions, including the U.S.-China trade war, Brexit Negotiations, US sanctions on Russia and Turkey boosted the demand for safe haven Yen. On Friday, the demand for safe-haven Yen rose pushing the Yen to its weekly high levels of 110.48 as tensions between Turkey and US intensified after the Turkey diplomat failed to come up with any deal with the US to lessen the tensions between the two nations. Also, the robust release of GDP data from the nation added to Yen's gains. USDJPY closed the week at 110.92 levels on Friday.

Technical Outlook:

Week ahead: The pair has given a bearish close on the daily and weekly charts signalling further downmove towards 110.50 levels which is a very strong support. A convincing break and close below the same shall push it to 109.60 levels. Further support on the downside lies at 108.60 levels. On the upside, key resistance lies at 111.45 and 112.00 levels. Technical indicators are signalling a bearish momentum.

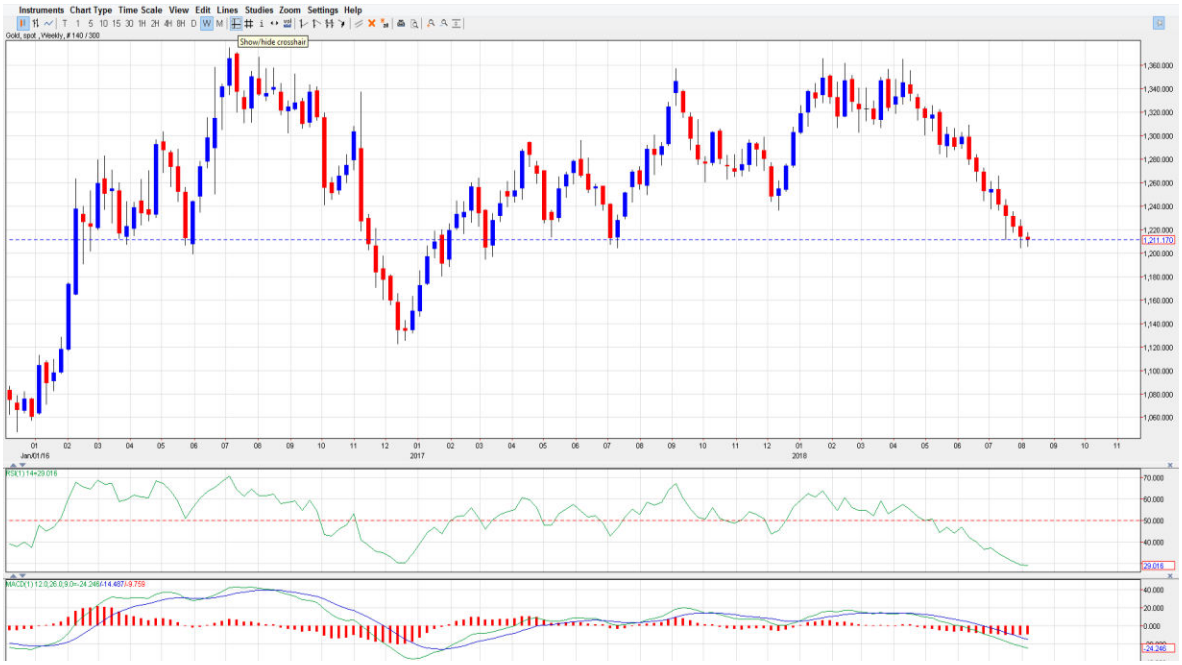
Key Support: 110.50, 109.60, 108.60
Key Resistance: 111.45, 112.00, 113.45

Advise: Exporters are advised to sell their near term receivables on dips towards 109.60 levels. Importers are advised to cover their near term payables in a staggered manner on spikes towards 111.45 and 112.00 levels.

International Market

Break of 1200.00, key for a downmove

Gold



Week Gone by:
Gold opened the week at 1213.26 levels and initially touched a high of 1217.85 levels. Facing resistance at these levels, it started to move lower and touched a low of 1205.40 levels. The yellow metal ended the week at 1210.85 levels.

Week Ahead:
The yellow metal has given mixed signals on the daily chart while has given a bearish close on the weekly charts signaling further bearishness. On the downside, the yellow metal is strongly supported at 1200.00 levels. Only a convincing break and close below the same shall push it to 1180.00 and 1165.00 levels. Further support lies at 1120.00 levels. On the upside, key resistance lies at 1217.00 and 1225.00 levels. Technical indicators are signaling the same bearish momentum

Key Support: 1200.00, 1180.00, 1165.00
Key Resistance: 1217.00, 1225.00, 1245.00

Advise: Short term traders are advised to buy the yellow metal on dips towards 1205.00 levels targeting 1217.00 and 1225.00 levels keeping a strict stop loss below 1200.00 levels. On break of 1200.00 levels, traders could go short targeting 1180.00 and 1165.00 levels keeping a strict stop loss above 1205.00 levels.

Forex Calendar

Forex Calendar

Date	Time	Currency	Data	Forecast	Previous
14/08/2018	11:30	EUR	German Prelim GDP q/q	0.4%	0.3%
14/08/2018	11:30	EUR	German Final CPI m/m	0.3%	0.3%
14/08/2018	12:15	EUR	French Final CPI m/m	-0.1%	-0.1%
14/08/2018	14:00	GBP	Unemployment Rate	4.2%	4.2%
14/08/2018	14:30	EUR	Flash GDP q/q	0.3%	0.3%
14/08/2018	14:30	EUR	German ZEW Economic Sentiment	-20.1	-24.7
14/08/2018	14:30	EUR	Industrial Production m/m	-0.3%	1.3%
14/08/2018	14:30	EUR	ZEW Economic Sentiment	-16.4	-18.7
14/08/2018	18:00	USD	Import Prices m/m	0.1%	-0.4%
15/08/2018	14:00	GBP	CPI y/y	2.5%	2.4%
15/08/2018	14:00	GBP	PPI Input m/m	0.1%	0.2%
15/08/2018	14:00	GBP	RPI y/y	3.4%	3.4%
15/08/2018	14:00	GBP	Core CPI y/y	1.9%	1.9%
15/08/2018	14:00	GBP	HPI y/y	2.8%	3.0%
15/08/2018	14:00	GBP	PPI Output m/m	0.1%	0.1%
15/08/2018	18:00	USD	Core Retail Sales m/m	0.4%	0.4%
15/08/2018	18:00	USD	Retail Sales m/m	0.2%	0.5%
15/08/2018	18:45	USD	Industrial Production m/m	0.3%	0.6%
15/08/2018	20:00	USD	Crude Oil Inventories		-1.4M
16/08/2018	1:30	USD	TIC Long-Term Purchases	32.3B	45.6B
16/08/2018	5:20	JPY	Trade Balance	0.02T	0.07T
16/08/2018	11:30	EUR	German WPI m/m	0.5%	0.5%
16/08/2018	14:00	GBP	Retail Sales m/m	0.2%	-0.5%
16/08/2018	14:30	EUR	Trade Balance	16.5B	16.9B
16/08/2018	18:00	USD	Building Permits	1.31M	1.29M
16/08/2018	18:00	USD	Housing Starts	1.27M	1.17M
16/08/2018	18:00	USD	Unemployment Claims	215K	213K
17/08/2018	13:30	EUR	Current Account	23.2B	22.4B
17/08/2018	14:30	EUR	Final CPI y/y	2.1%	2.1%
17/08/2018	14:30	EUR	Final Core CPI y/y	1.1%	1.1%

10 things the IMF numbers tell us about the Indian economy

All forecasts about an economy as complex as India's should be taken with a pinch of salt.

The International Monetary Fund has released the results of its annual assessment of the Indian economy, with predictions for 2018-19 and 2019-20. Here's what the IMF numbers tell us:

(1) There's no change in the forecast for India GDP growth—it remains 7.3% for the current fiscal year and 7.5% for 2019-20.

(2) The composition of this growth is interesting: gross investment as a percentage of GDP is projected to jump from 30.6% in FY18 to 32.2% this year. IMF clearly believes the long-awaited turnaround in investment demand is finally happening. Even so, note that the investment/GDP ratio was higher at 34.2% in 2014-15, when GDP growth was 7.4%. That indicates consumption will continue to be a driver of growth.

(3) The IMF predicts that growth in merchandise exports will be a strong 13.2% this fiscal year. If it occurs, this will be the highest rate of growth in exports since 2011-12. Perhaps the depreciation of the rupee may be a catalyst, but this is a bold call to make at a time of trade wars. Nevertheless that means, according to the IMF's forecasts, all three engines of economic growth—consumption, investment and exports—will start firing from the current year.

(4) This increase in growth is expected to lead to a rise in consumer price inflation to an average of 5.2% this fiscal. That is well above the Reserve Bank of India's (RBI's) target of 4% and monetary policy can therefore be expected to be tight.

(5) Economic growth will lead to a rise in money supply, which is expected to go up by 11.4% this fiscal, a rate of growth not seen since 2013-14. A revival in bank credit to the private sector is expected—it's projected to rise by 13.6% this year, also the highest rate of growth since 2013-14.

(6) Savings as a percentage of GDP is forecast to increase, but not to the same extent as investment. Indeed, the savings to GDP ratio this year is expected to be lower than in 2016-17, although it isn't clear why. This imbalance between domestic savings and investment will result in a higher current account deficit, which the IMF estimates at 2.6% of GDP this fiscal year, up from 1.9% last year.

(7) One reason for the higher savings figure is that the IMF believes the general government fiscal deficit, including that of the states, will be 6.6% of GDP, compared to 7% last fiscal.

(8) The percentage growth in imports too is expected to be lower this year, but that is largely a base effect—import growth was negative in 2016-17.

(9) IMF thinks that foreign direct investment will rebound this year, after a drop last fiscal. But net portfolio inflows are expected to be much lower, which is not good news for the capital markets. There will probably be a small balance of payments deficit and foreign exchange reserves will be drawn down a bit.

(10) Having said all this, IMF emphasizes that "risks are tilted to the downside from external factors, such as higher global oil prices and tighter global financial conditions, as well as domestic financial vulnerabilities".

How accurate have IMF predictions been in the past? In February 2017, during last year's assessment, they said real GDP growth in 2016-17 would be 6.6% in 2016-17 and 7.2% in 2017-18. Growth turned out at 7.1% in 2016-17 and 6.7% last fiscal.

Their estimates of inflation were skewed to the upside. Their projections for investment were too optimistic. Their predictions of broad money growth were way off target and the less said about their estimates of portfolio flows the better.

This is not to take potshots at IMF's prognoses, but to underline that all forecasts about an economy as complex as India's should be taken with a pinch of salt.

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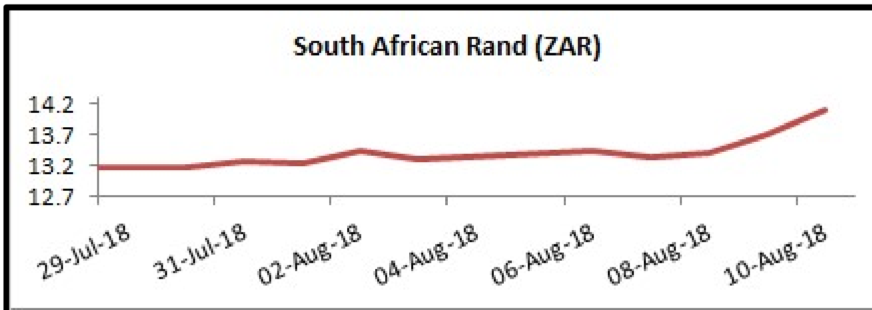
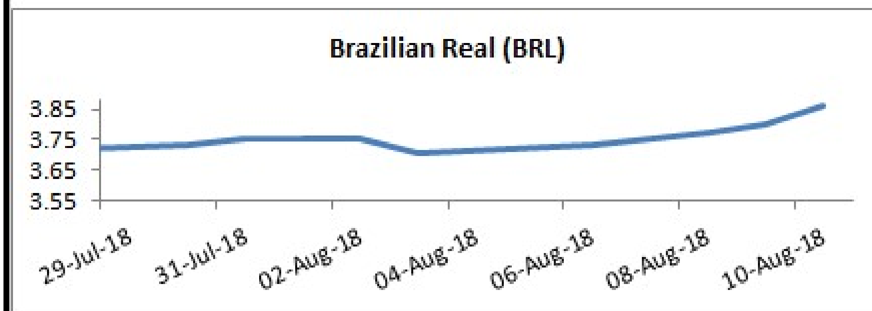
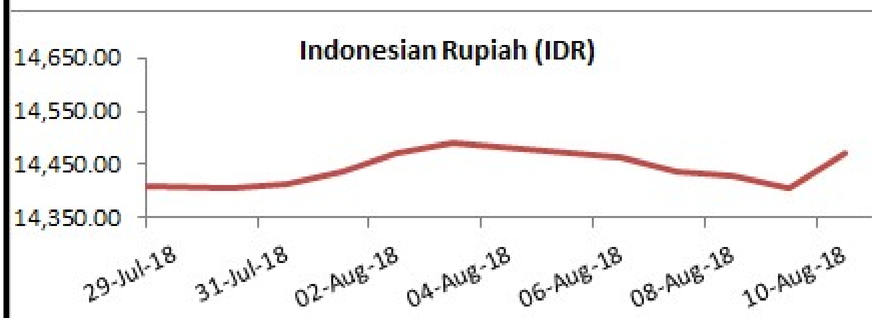
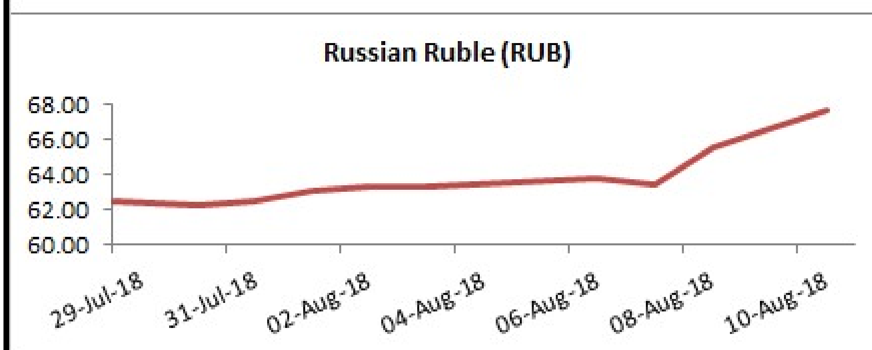
Graph'o'nomics

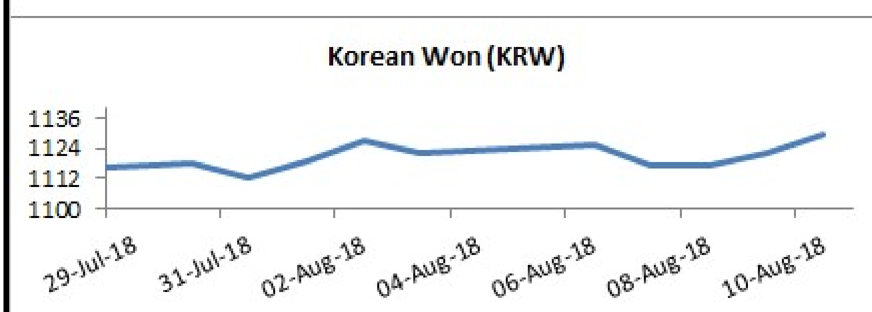
Emerging Market Currencies

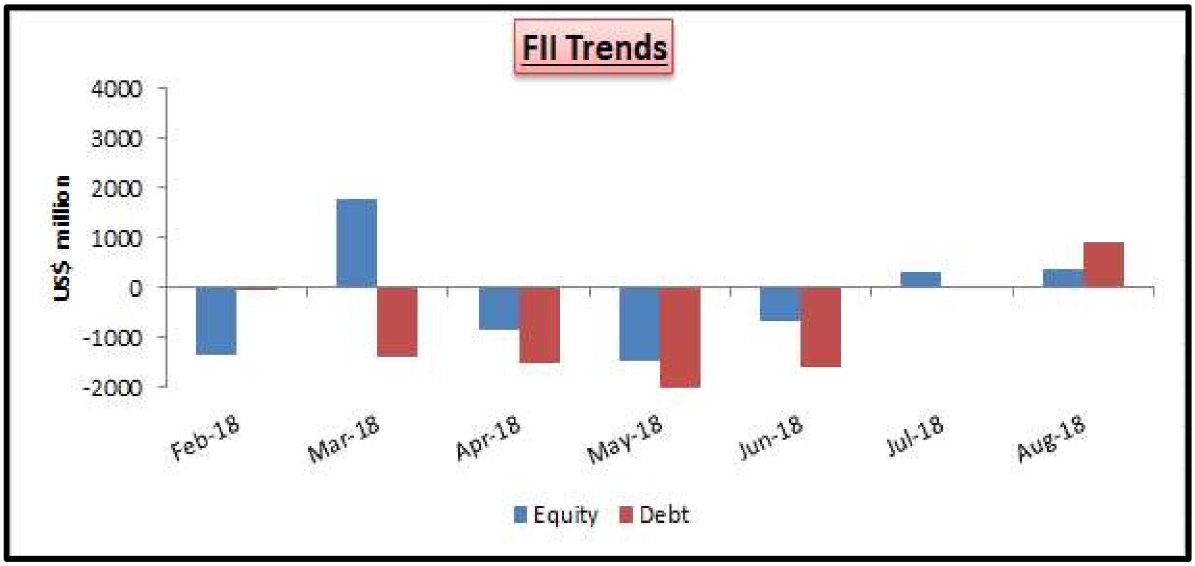












Option Pricing

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	0.38	0.52	0.25	2.09	0.38	0.27	0.23	1.18
2 Month	0.55	0.82	0.50	1.64	0.55	0.32	0.48	0.67
3 Month	0.70	1.11	0.75	1.48	0.70	0.37	0.73	0.51
6 Month	1.03	1.89	1.50	1.26	1.03	0.43	1.48	0.29
9 month	1.30	2.61	2.26	1.15	1.30	0.46	2.24	0.20
1 Year	1.55	3.29	3.00	1.10	1.55	0.49	2.98	0.16