

INSTRUMENT	LAST PRICE	1 DAY	1 MONTH	1 YEAR
USD/INR	73.57	-0.75%	1.9%	12%
EUR/INR	85.19	-0.72%	1.8%	9%
GBP/INR	97.18	-0.85%	3.5%	12%
JPY/INR	65.64	0.06%	1.5%	12%
EUR/USD	1.1547	-0.11%	-1.2%	-2%
GBP/USD	1.3104	-0.37%	-0.4%	-1%
USD/JPY	112.08	-0.12%	0.2%	0%
USD/CNH	6.9142	-0.06%	0.6%	5%
10 YR YIELD- IN	7.98	(0.00)	(0.15)	1.23
10 YR YIELD- USA	3.15	(0.01)	0.15	0.88
GOLD (\$/Oz)	1,221	0.3%	2%	-6%
SILVER (\$/Oz)	14.61	0.2%	3%	-15%
BRENT CRUDE (\$/Brl)	81.43	1.2%	4%	42%
COPPER 3M (\$/Ton)	6302	1.0%	5%	-8%
NIFTY	10473	2.32%	-9.05%	3%
HANGSENG	25543	-1.00%	-6.39%	-10%
S&P 500	2767	1.42%	-4.75%	8%
INR 1M FWD	0.29	0.00	0.01	0.03
INR 2M FWD	0.58	0.00	0.01	0.11
INR 3M FWD	0.84	0.00	(0.01)	0.14
INR 6M FWD	1.61	0.00	(0.03)	0.21
INR 12M FWD	3.17	(0.02)	(0.04)	0.43
	1 DAY	MTD	QTD	CTD
FII INVESTMENT- EQ (\$ Mn)	(370)	(2,203)	(2,203)	(4,209)
FII INVESTMENT- DEBT (\$ Mn)	(272)	(1,078)	(1,078)	(8,188)
TOTAL- (\$ Mn)	(643)	(3,281)	(3,281)	(12,397)

CURRENCY	ECONOMIC EVENT
USD	Retail Sales

FX VIEW

Dollar Rupee experienced a much needed downward correction, from 74.48 to 73.58 levels on spot, realigning itself with a 9% decline in oil prices and a recovery in EM currencies against USD. Last week, volatility came from the US stock market, which fell 7% from its life highs. Indian equity market, showed signs of forming a near term bottom around 10,100 levels on Nifty, which augurs well for the Rupee. However, with real rates (nominal yields - inflation) rising in the Dollar, we expect US stock market to resume their decline. Technically, SP500 has a cluster of critical support levels between 2700/2750 levels. If during the expected decline, prices were to breakdown below support zone, then it can be quite bearish for EM equities as well. Though Nifty appears to have completed a major leg down and at least a period of upward to sideways consolidation is warranted, but if the US equity indices do breakdown below key levels, Nifty may follow suit. In such a case, Rupee can once again head towards life time lows, due to FPI outflows and reflexive shorts from speculators.

In 2018, in US, short term rates have risen much faster than the inflation, which has taken real rates substantially higher. Higher real rates on the US Dollar is like a powerful magnet, sucking fund flow away from emerging markets towards US markets. Historically, rising real yields on Dollar have brought about rising volatility in emerging market currencies and EM assets, which finally filtered down towards rising volatility even in DM assets as well. World financial markets have entered the phase where volatility has jumped from EM to DM. With speculators short volatility in DM assets, a surge in volatility is expected into the year end, a bang opposite of the trend we witnessed same time last year, when fund flowing into risk assets caused a low volatility melt-up in all risk assets, including cryptos, into the year end.

Rupee traders need to watch three global events this week. First up, the war of words between US officials and Saudi officials, over the disappearance of a Saudi journalist in Turkey. Oil has reacted, up around 1.5% during the Asian session. With Iran & Venezuelan supply gradually going offline, oil market dangerously at its wits end. Nobody expects an actual disruption to oil supplies from Saudi Arabia, but even if there is an iota of threat to that, it can cause a substantial spike in oil prices, which will have adverse impact on Indian markets. The second event to watch will be the showdown between Italy & Eurozone over its budget proposal. Italian bond yields have become unglued and is now at the risk of a melt-up if the fight intensifies. A rising yields can drag the Euro lower, hurting EMFX as well. Finally, the Fed minutes. Fed is expected to sound hawkish, but the question is how hawkish. An overly hawkish Fed can lift USD rates and USD as well. Hence, folks, keep an eye on these three developments.

TECHNICAL VIEW & RUPEE CROSSES:

Tactical trend remains upward for the Dollar Rupee. The corrective pullback is an opportunity to enter longs with stops below 73.20 on spot, on a daily closing basis. Target will remain a test of recent highs of 74.48. If the pair can break above 74.48/50 zone on spot, it can create a short squeeze towards 76.00 levels on spot. Nevertheless, a failure to hold above 73.20, can bring about a deeper correction, where the pair can test 72.90 region, a break of which can drag the pair towards 72.50 levels. On crosses, we remain bullish on Euro, GBP and JPY against INR. We view the corrective pullback as an opportunity to enter long positions. Our medium term target remains around 70.00 on JPY, 100 on GBP and 87 on Euro.

Disclaimer/Disclosures

Disclaimer

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house. Kotak Securities Limited is a corporate trading and clearing member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), and Metropolitan Stock Exchange of India Limited (MSEI). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). We are registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise/warning/deficiency letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time. We offer our research services to clients as well as our prospects.

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Equities Research Group of Kotak Securities Limited. We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed if any or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may should be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies if any and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent. Details of Associates are available on our website ie www.kotak.com Research Analyst has served as an officer, director or employee of Subject Company: NA

We or our associates may have received compensation from the subject company, if any in the past 12 months.

We or our associates may have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months: NA

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company, if any in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company, if any in the past 12 months. We or our associates have not received any compensation or other benefits from the subject company if any or third party in connection with the research report. Our associates may have financial interest in the subject company if any.

Research Analyst or his/her relative's financial interest in the subject company(ies) : NA

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report : NA

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NA

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NA

Subject Company, if any may have been client during twelve months preceding the date of distribution of the research report.

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com / www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: NSE INB/INF/INE 230808130, BSE INB 010808153/INF 011133230, MSEI INE 260808130/INB 260808135/INF 260808135, AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com. In case you require any clarification or have any concern, kindly write to us at below email ids:

o Level 1: For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at ks.demat@kotak.com or call us on: 30305757 (by using your city STD code as a prefix) or Toll free numbers 18002099191 / 1800222999 and 18002099292.

o Level 2: If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.

o Level 3: If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 6825.

o Level 4: If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at ceo.ks@kotak.com or call on 91-(022) 4285 8301.

Level 3: If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 8484.

Level 4: If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at ceo.ks@kotak.com or call on 91- (022) 4285 8301.