



FX DERIVATIVES- TRADER'S GOLD MINE

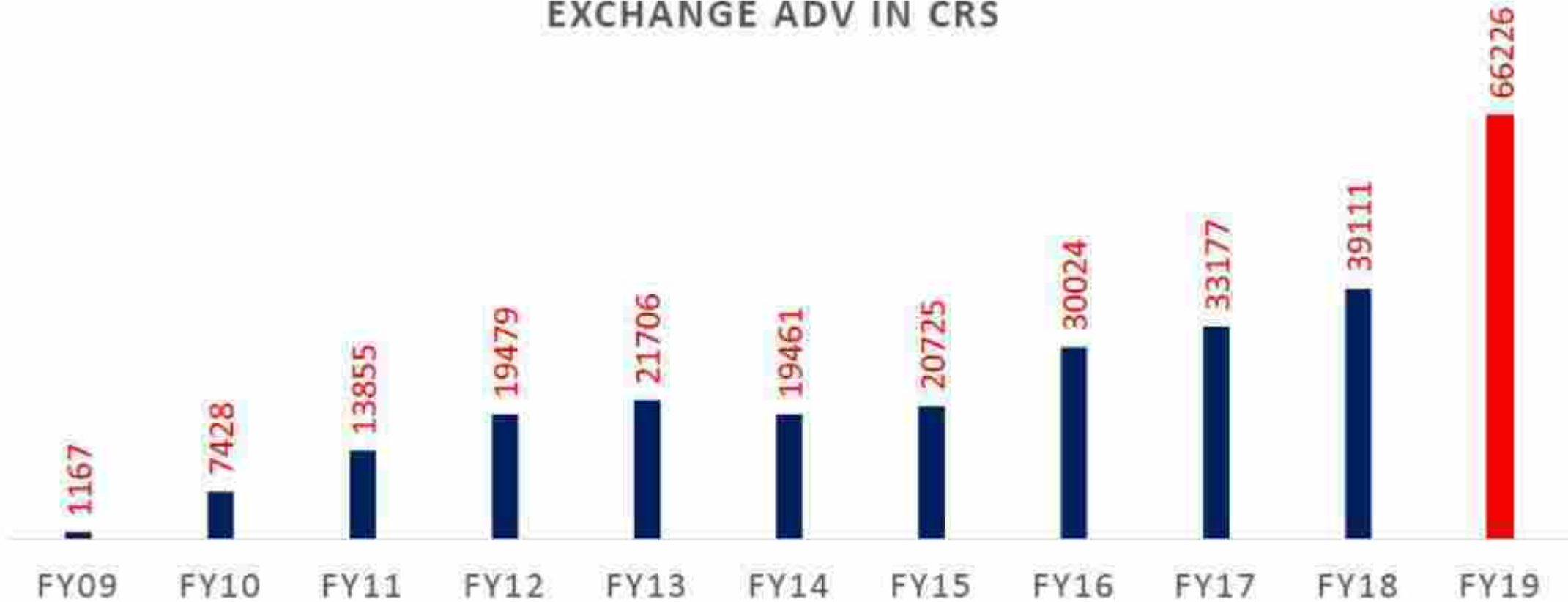
HOW BIG IS THE FX MARKET?



EXCHANGE TRADED FX VOLUMES



EXCHANGE ADV IN CRS



Source – NSE + BSE

4

REASONS WHY YOU MUST TRADE CURRENCY

1. LOWER COST

Brokerage Calculations in Futures - NSE	
Particulars	Existing cost
No of Lots	100
Lot Value (1 Lot = \$1000)	100000
Trade Rate	70
Trade Value (INR)	70,00,000.00
Brokerage	10.00
Brokerage in Rs	1,000.00
Exchange Turnover Tax (@ Rs. 95 per Crore)	66.50
Stamp Duty @(Rs. 200 per Crore)	140.00
SEBI Fee @ (Rs. 15 per Crore)	10.50
GST @ 18%	
on Brokerage	180.00
on ETT	11.97
on SEBI Fees	1.89
Total Cost in Futures	1,410.86
Cost (in paise/USD)	0.0141
Round Trip Cost (in paise/USD)	0.0282

2. HIGHER LEVERAGE



INSTRUMENT	MARGIN	HOW MANY LOTS IN 1 LAC OF MARGIN	LEVERAGE FACTOR (times)
NIFTY	11%	1	9
USDINR	2.5%	62	40

3. LONGER TRADING HOURS

4. NO BEAR MARKET

NO BEAR MARKET



CURRENCY CONVENTIONS

Amount: 1 From: USD (US Dollar) To: INR (Indian Rupee)

1 USD = 69.4555 INR



Amount: 1 From: EUR (Euro) To: USD (US Dollar)

1 EUR = 1.11792 USD



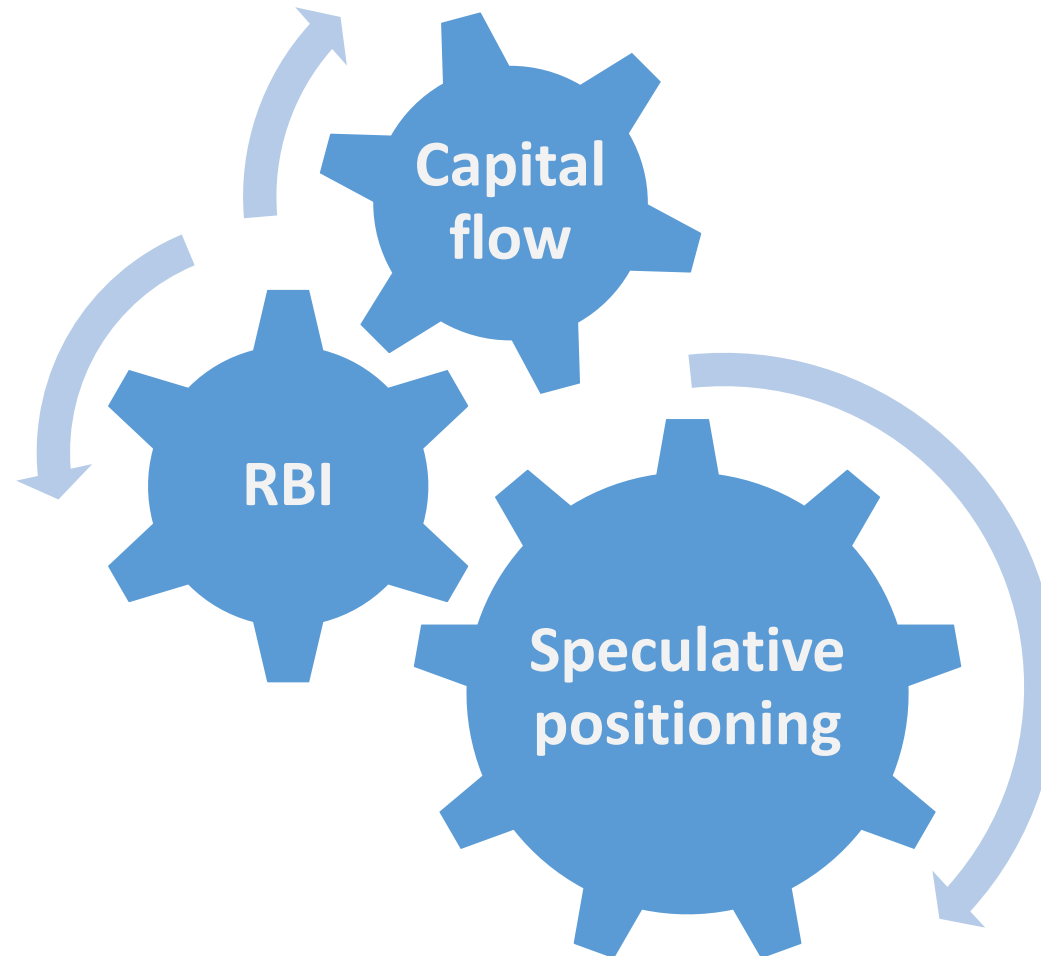
CURRENCY CONVENTIONS



- **CURRENCIES TRADE IN PAIRS OR RATIOS. USDINR MEANS, USD AGAINST INR**
- **USDINR @ 74.00 MEANS 1 \$ = 74 INR**
- **IF USDINR MOVES TO 75.00, IT MEANS, \$ HAS APPRECIATED AGAINST INR AS ONE CAN GET MORE RUPEES FOR SAME \$**
- **IF USDINR MOVES DOWN TO 73.00, IT MEANS, \$ HAS DEPRECIATED AGAINST INR**

WHAT DRIVES DOLLAR RUPEE

FLOWS, RBI & POSITIONING DRIVES INR



FACTOR THAT DRIVE FLOWS



- **FPI flows would depend on:**

- 1) What is the political formation?
- 2) Is money flowing away from Emerging markets or away from it?
- 3) Are oil prices rising fast or declining ?
- 4) How are corporate earnings relative to valuation?
- 5) How expensive is India relative to EMs?

- **FDI flows would depend on:**

- 1) Government policies
- 2) Global economy

- **Corporate debt flows and flows into banking system would depend on:**

- 1) What is the interest rate spread between India and US?
- 2) Economic activity

CAPITAL FLOWS



INDIA: BALANCE OF PAYMENTS ANALYTIC PRESENTATION (CALENDAR YEAR)

USD Million	2013	2014	2015	2016	2017	2018	2019
Capital account	962	(74)	37	137	37	(123)	0
Financial account	59,115	68,354	67,659	29,340	76,630	60,404	95,000
FDI	26,388	22,890	36,495	39,411	28,876	31,662	30,000
FPI	6,858	37,740	9,487	(4,725)	30,638	(9,598)	30,000
FINANCIAL DERIVATIVES	(2,256)	3,489	(3,598)	9,436	148	189	0
OTHER FINANCIAL INFLOWS	28,125	4,235	25,275	(14,782)	16,968	38,151	35,000
Net errors and omissions (Unallocated net capital flows)	(26)	(3,382)	(1,174)	(1,624)	(1,429)	828	(1,500)
GROSS CAPITAL FLOWS	60,051	64,898	66,522	27,853	75,238	61,109	93,500
RBI's net selling of \$ (selling of \$ is a capital inflow)	(10,928)	(37,583)	(44,065)	(15,739)	(37,071)	3,850	(47,500)
% CAPITAL FLOWS MOPPED UP BY RBI THROUGH SPOT PURCHASE OF \$	18%	58%	66%	57%	49%	NA	50%
% CAPITAL FLOWS INFUSED BY RBI THROUGH SELLING OF DOLLARS FROM RESERVES	NA	NA	NA	NA	NA	6%	NA
NET CAPITAL FLOWS (post RBI intervention)	49,123	27,314	22,457	12,114	38,168	64,959	46,000
CURRENT ACCOUNT (Inverse of Net capital flows)	(49,123)	(27,314)	(22,457)	(12,114)	(38,168)	(64,959)	(46,000)
GDP	1,856,722	2,039,127	2,102,391	2,274,230	2,600,818	2,950,000	3,333,500
CURRENT A/C % GDP	(2.65)	(1.34)	(1.07)	(0.53)	(1.47)	(2.20)	(1.38)
GROSS CAP FLOWS TO GDP	3.2%	3.2%	3.2%	1.2%	2.9%	2.1%	2.8%

MARKETS & BUDGET

SNAPSHOT OF UNION BUDGET



Receipts Budget : A tad optimistic

PARTICULARS (Rs bn)	FY18A	FY19 RE	%YoY	FY20 BE	% YoY	
Income Tax - Corp	5,712	6,710	17.5%	7,660	14.2%	Difficult ask, esp. wrt current health
Income Tax - Indiv	4,308	5,290	22.8%	5,690	7.6%	Possible, but tough
Total Income Tax	10,020	12,000	19.8%	13,350	11.3%	Downside risk visible
Customs	1,290	1,300	0.8%	1,559	19.9%	A stretch, even after the hike in several items
Excise + Svc Tax, etc.	3,454	2,742	-20.6%	3,069	11.9%	
GST	4,426	6,439	45.5%	6,633	3.0%	This is actually plausible, with the upward ratcheting across sectors
Total Indirect Tax	9,170	10,482	14.3%	11,262	7.4%	
Total Tax Collected	19,190	22,482	17.2%	24,612	9.5%	Reality hits home, the Interim Budget figure was Rs 1tn higher
Less : States' share, etc	-6,765	-7,638	12.9%	-8,116	6.3%	
Net Tax Revenues	12,425	14,844	19.5%	16,496	11.1%	Feasible, even if difficult
Interest, dividend, grants	1,085	1,326	22.2%	1,782	34.4%	Higher dividend or other payout from RBI
Others	842	1,127	33.8%	1,349	19.7%	
Non Tax Revenues	1,927	2,453	27.3%	3,132	27.7%	Manageable, esp if govt looks overseas
REVENUE RECEIPTS	14,352	17,297	20.5%	19,628	13.5%	
Debt receipts (net)	5,870	5,932	1.1%	6,527	10.0%	
Other capital receipts (net)	1,157	932	-19.5%	1,198	28.6%	Mostly driven by divestment aggression
CAPITAL RECEIPTS	7,026	6,864	-2.3%	7,725	12.6%	
TOTAL RECEIPTS	21,379	24,160	13.0%	27,353	13.2%	

SNAPSHOT OF UNION BUDGET

Expenditure Budget (reclassified)

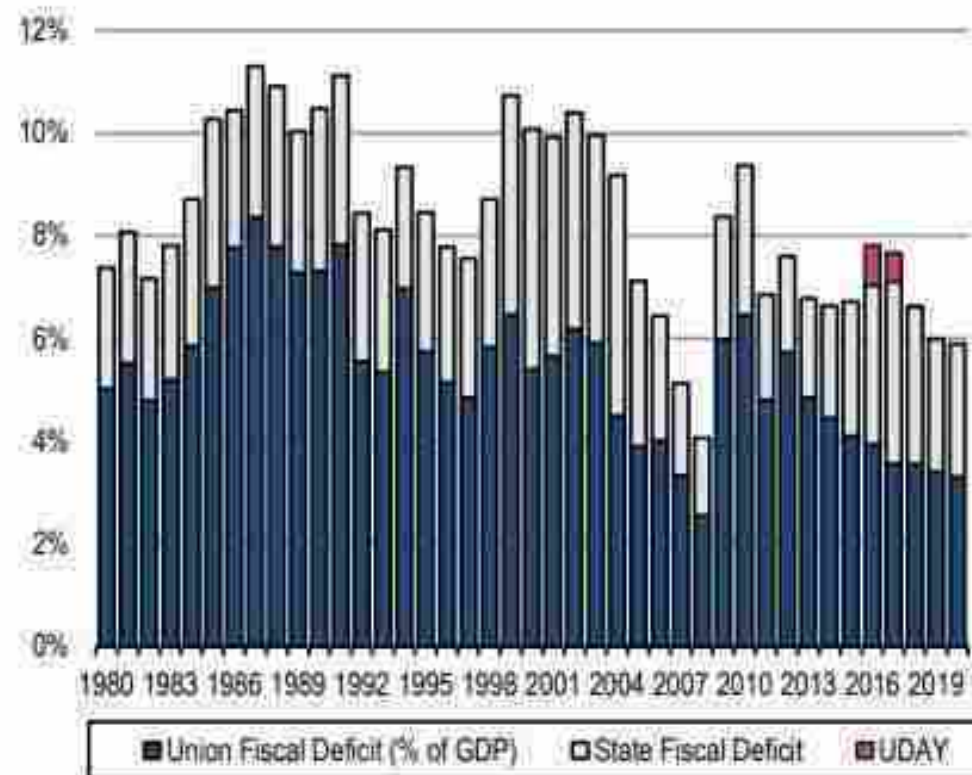
EXPENDITURE HEAD	FY18RE	FY19RE	%YoY	FY20BE	%YoY	
Interest	5,290	5,876	11.1%	6,605	12.4%	Rising steadily...a fall in rates will help
Defence/external/home affairs	3,779	4,000	5.9%	4,271	6.8%	Disappointing, govt capex cycle easing?
Infrastructure/energy/industry	2,582	3,069	18.9%	3,294	7.3%	>50% hike over two years!
Agriculture/rural devpt	1,876	2,217	18.2%	2,923	31.8%	Perk up in gas
SUBSIDIES						
- Fertiliser	665	701	5.4%	800	14.1%	Easing off, MSP hike cycle over
- Food	1,003	1,713	70.8%	1,842	7.5%	May not suffice?
- Petroleum	245	248	1.5%	375	50.9%	
Education/health/welfare	1,706	1,861	9.0%	2,107	13.2%	Continuous improvement confirms focus
Transfer to states & UTs	1,779	2,072	16.5%	2,717	31.1%	GST compensation fund is doubled
Pension	1,457	1,666	14.3%	1,743	4.6%	
Others	1,039	1,149	10.6%	1,187	3.3%	
TOTAL	21,420	24,572	14.7%	27,864	13.4%	

SNAPSHOT OF UNION BUDGET



Rs lakh Crore	FY19 (RE)	FY20 (BE)
7. Revenue Deficit (4 - 1)	4.1	4.9
8. Fiscal Deficit	6.3	7.0
9. FD/GDP (%)	3.4	3.3
10. Gross market borrowings	5.7	7.1
11. Debt/GDP (%) (RE nos)	48.4	48.0
12. GDP	188.4	211.0

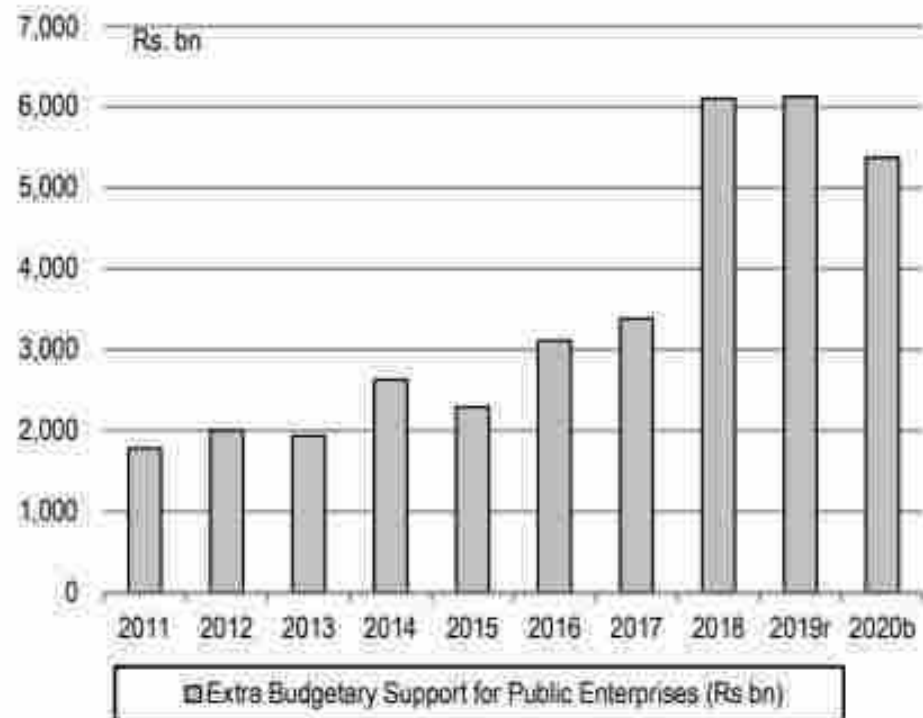
Despite pressures, fiscal consolidation hasn't reversed



Source: Budget Documents, Credit Suisse Research

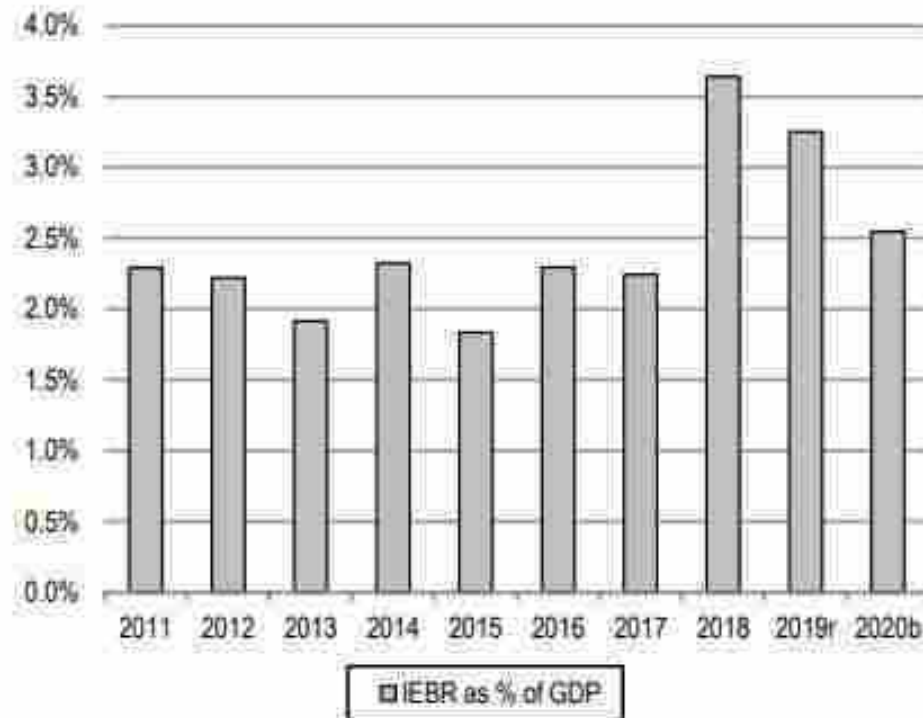
SNAPSHOT OF UNION BUDGET

Extra-budgetary funding in FY20 revised by Rs 800 bn



Source: Budget Documents, Credit Suisse Research

Extra-budgetary funding as % of GDP



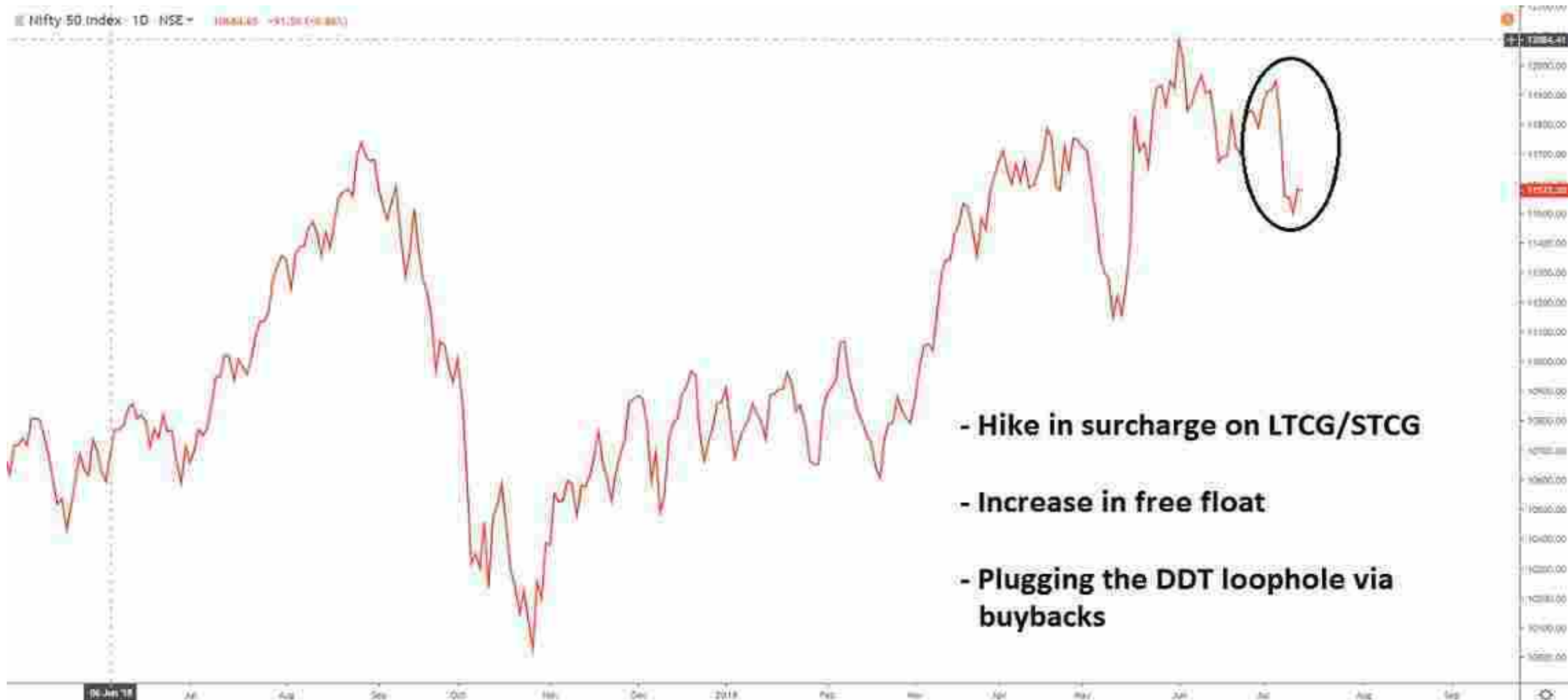
Source: Budget Documents, Credit Suisse Research

IMPACT of BUDGET ON BONDS

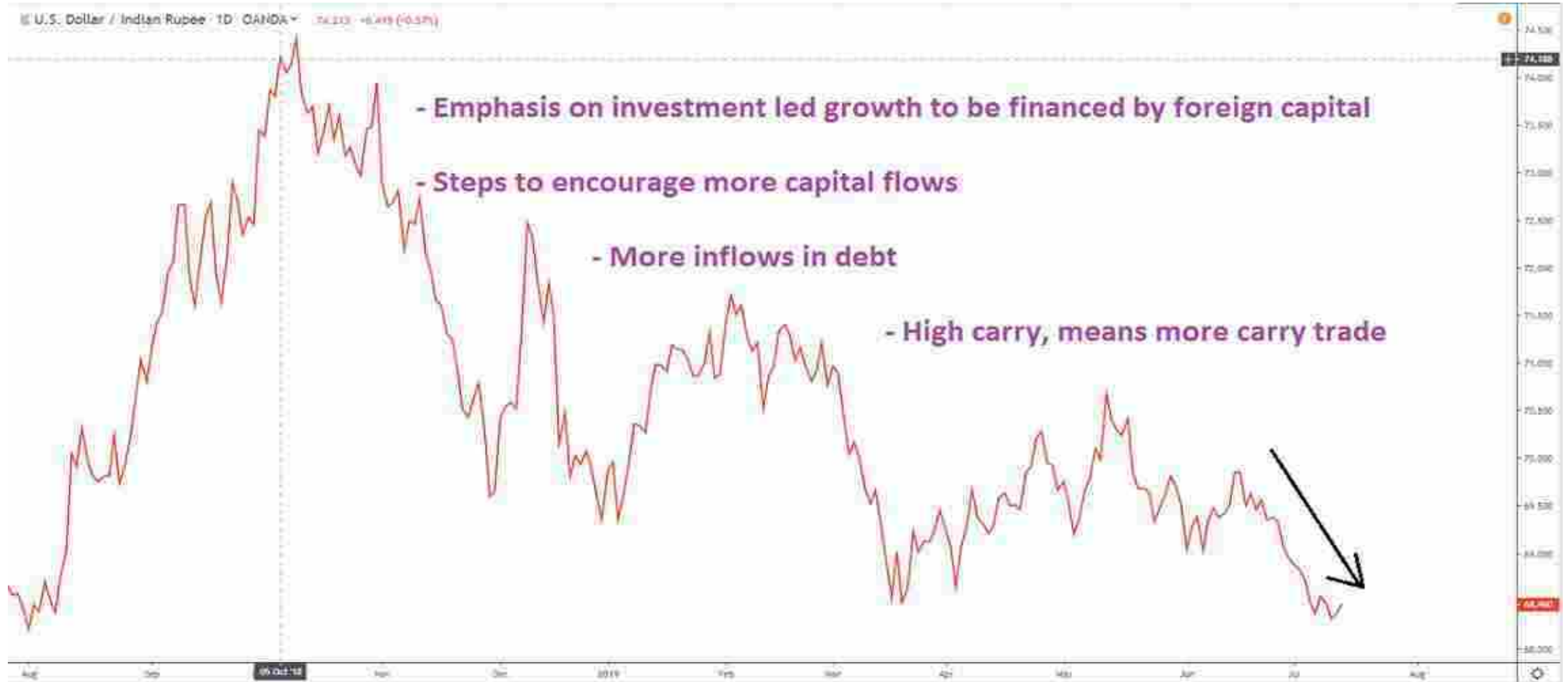


- **Gol going to issue Foreign Currency denominated Bonds**
- **Interbank rupee liquidity in substantial surplus > 1 lakh crore**
- **Lower inflation & slower economy = More rate cut by RBI**

IMPACT of BUDGET ON EQUITY



IMPACT of BUDGET ON RUPEE



TRADE WAR

US & CHINA TRADE

COUNTRY	CURRENT ACCOUNT BALANCE - \$ Bn	
EUROPEAN UNION	\$405	NET PRODUCER NATION
GERMANY	\$297	NET PRODUCER NATION
JAPAN	\$195	NET PRODUCER NATION
CHINA	\$165	NET PRODUCER NATION
<hr/>		
CANADA	(\$49)	NET CONSUMER NATION
INDIA	(\$51)	NET CONSUMER NATION
UNITED KINGDOM	(\$107)	NET CONSUMER NATION
UNITED STATES	(\$466)	NET CONSUMER NATION

US & CHINA TRADE



IMPACT ON GLOBAL ECONOMY



IMPACT ON US & CHINA



IMPACT ON STOCK MARKET



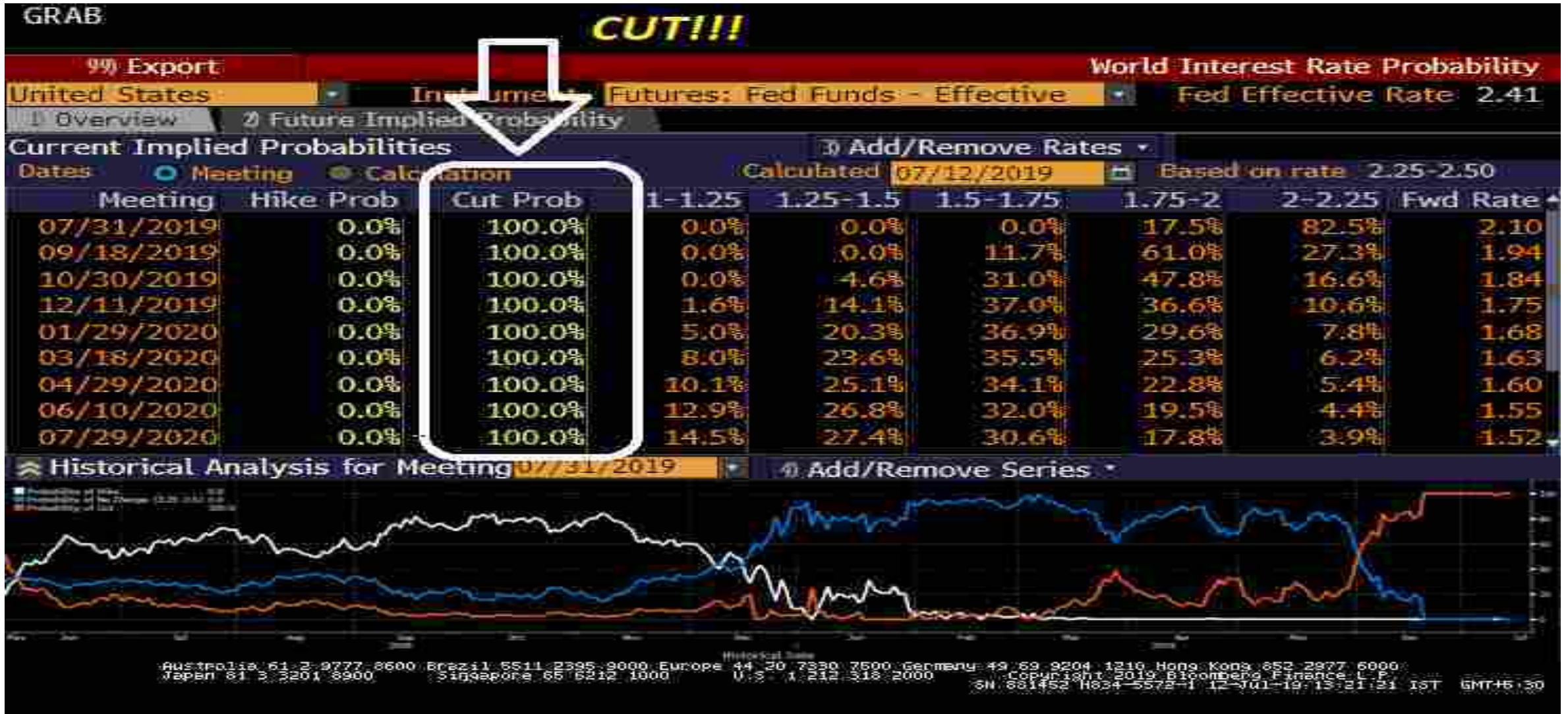
IMPACT ON EM CURRENCIES



RUPEE & YUAN



TRADE WAR & US FED



GLOBAL EQUITY & TRADE WAR



BOND YIELD & TRADE WAR



TECHNICAL CHARTS

USDINR CHART



EURINR CHART



Source: TradingView

GBPINR CHART



Source: TradingView

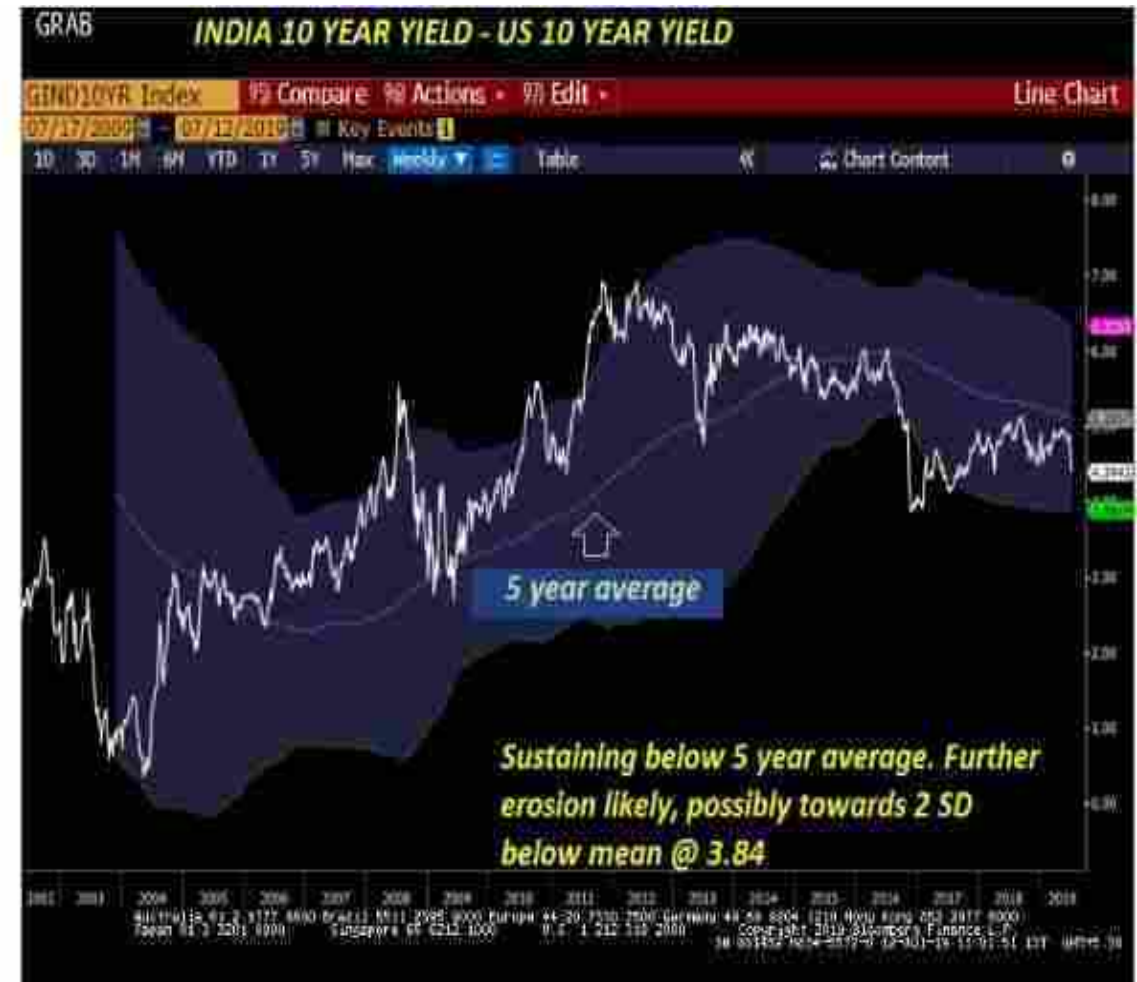
JPYINR CHART



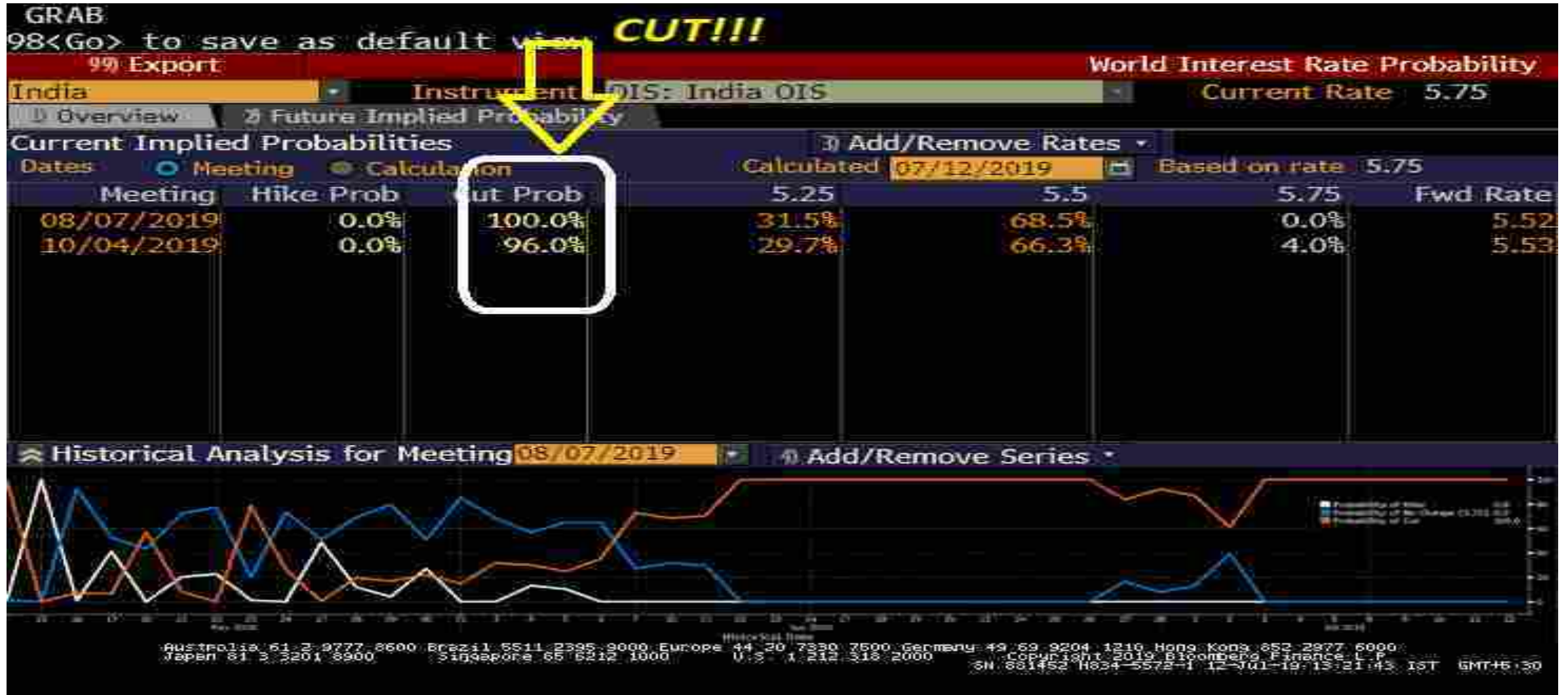
INDIA 10 YEAR- *BULL RUN*



INDIA BONDS- SPREADS TO COMPRESS



INDIA BONDS- BETs ON RBI CUT



NIFTY & US STOCK MARKET



Source: TradingView

MISTAKES



1. NOT HAVING STOP LOSSES

2. AVERAGING IN LOSSES

3. TAKING TOO LARGE A POSITION

QUESTIONS

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