



BLACPEARL

WEEKLY REPORT

Monday

31st May 2017

For the week 29th May to 2nd June

USD/INR (CMP: 64.50)



Dollar gained handsomely in the initial days as host of better economic data coupled with China's ratings downgrade and skirmishes along Indo-pak border led to risk off sentiment.

Rupee fought back later on the back of better FPI data investment numbers (approx. \$4 billion) and also the finalization of GST rate slabs.

USDINR reversed as a result touching levels of 64.45 again.

Coming few days are expected to be highly volatile, as FBI director Comey's hearing gets underway. Also we have the RBI monetary policy on June 6 coupled with UK elections on June 8 and FOMC on June 14th. All these events are likely to keep USDINR elevated.

Strategy:- The pair is likely to move towards 64.90-65.10 levels in coming week. Importers are advised to hedge near term payables on dips towards 64.30-64.40 whereas exporters can continue to hedge using options.



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EUR/USD (CMP: 1.1183)



Euro halted its rally after touching a 6-month high of 1.1225 on the back of sustained dollar weakness. The pair reversed after release of better than expected GDP numbers from US which led to a short bounce in the greenback across assets.

Focus this week would be on ECB President Mario Draghi's speech. Any hint regarding cutback on QE would again lead to strength in the common currency. A lot would also hinge on US NFP data due to be released on Friday.

The pair has support near 1.1090 and resistance near the previous high of 1.1225 and then at 1.1320.



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GBP/USD (CMP: 1.2800)



GBP had a spectacularly bad week against USD. The 11 week rally for the GBP ended this week as the pound slumped.

The pair remained volatile in the earlier part of the week, slowly starting to go south as good US economic data indicators came to the fore. Also on Thursday, the UK GDO Q1 estimates were revised down to 0.2% from the earlier 0.3%.

The pair dropped to 1.2775 on Friday, a one month low, after the UK elections opinion poll showed that the Conservative party is losing ground. The poll suggested that the Conservative govt. led by the current UK PM Theresa May is ahead only by 5 points – down from 12 point lead last week & a 20 point lead few weeks ago. This sharp reduction led many to question on whether Conservatives would be able to negotiate the Brexit in a smooth fashion, without intrusions from the opposition.

With UK election due on June 8, volatility should return in the pair.

The pair has support at 1.2750 and resistance near 1.2925.



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US Dollar index (CMP 97.40)



The Dollar index was up in the initial phases of the week after the GDP grew at rate of 1.2% over the estimated 0.7%.

The index came under pressure after the FOMC meet as the hawkish expectations of a rate hike had a minor setback. Fed officials mentioned on holding off increasing interest rates, although many experts still believe that a hike is in the offing. Reflationary trades have emerged as advanced economies are looking to grow post the 2008 crisis. Better growth prospects and stable emerging economies are leading to a sell-off in the dollar and rally in equities. Volatility across the world is at historical lows.

This could change however, in coming week as host of events look to upset the status quo. Any hiccup can lead to a risk-off scenario, and thus benefiting the dollar. US NFP data due on Friday would be crucial.

Dollar index has initial support at 97.07 and then 96.55. Resistance appear to be at 98.30.



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USD/JPY (CMP: 110.84)



USD shrugged off last week's losses over JPY as it bounced back to 111 levels, with the pair hitting a weekly high of 112. The pair tanked initially as news about North Korea's latest missile test emerged. This led to a safe haven demand in the pair.

The pair is likely to follow movement in dollar index in absence of any triggers.

The pair has support at 110.50 levels and resistance at 111.94.

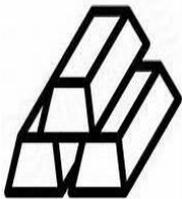


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Gold (CMP: \$ 1,264)



Gold again remained volatile this week as it touched the lows of \$1249 as well as highs of \$1269, while constantly moving between this range.

It initially tumbled from the positive US data points but as the week came to sunset, the uncertainties got the better of it. Cloud over Conservatives winning majority in the UK election as well as North Korean missile testing led to safe haven demand in the pair.

With so many events lined up in the next two weeks, demand for gold would be strong.

Gold prices have support near \$1240 levels and resistance at \$1275 levels.



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Brent Crude (CMP: \$51.40)



Brent surged ahead in the beginning as well as mid-week, hovering around \$54 mark. It fell sharply after the OPEC meeting as even though the OPEC nations pledged production cuts to 9 more months, the scale of cut still remains the same as previous i.e. 1.8 million barrels/day. Also, no new OPEC members have joined the production cut. The US shale oil rig has also seen remarkable recovery, with rig counts increasing every week.

The oil supply in general is still high which will nullify any attempted supply cuts and the oil prices would remain under pressure for foreseeable future.

The pair has support at 51.10 and 50.35 whereas the resistance is placed at 51.88



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Nifty: (CMP 9,618)



Nifty opened at 9472 but went downhill from there on. It bottomed out at 9356. GST rate slabs being clarified brought a new bull wave as the index rallied to an all-time high as the index surpassed 9600 for the first time.

Sensex also crossed the psychological mark of 31000. Although, FPI investments have slowed down, domestic institutions continue to pour money in the markets as mutual fund subscriptions remain high.

With lot of events lined up next two weeks, some profit booking is expected.

Initial support lies at 9540 and 9430. Resistance for the index lies at 9670.



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FPI Inflows

	Equity	Debt	Total
May'17	+7,883cr	+17,989cr	+25,872cr
Apr'17	+2,394cr	+20,634cr	+23,028cr
Mar'17	+30,906cr	+25,355cr	+56,261cr
YTD	+49,908cr	+67,349cr	+117,257cr

USD/INR Forwards

Month	Premium (in paisa)	Premium (in %)	Net Rate
Spot	64.50/51		
Cash/Tom	0.50/1.50		
Cash/spot	1.00/3.00		
Jun-17	22.00	4.49	64.72
Jul-17	48.00	4.61	64.98
Aug-17	74.00	4.65	65.24
Sep-17	98.00	4.68	65.48
Oct-17	125.00	4.67	65.75
Nov-17	149.00	4.67	65.99
Dec-17	173.00	4.67	66.24
Jan-18	201.00	4.68	66.51
Feb-18	223.00	4.66	66.74
Mar-18	246.00	4.64	66.96
Apr-18	272.00	4.64	67.23
May-18	300.00	4.67	67.50

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Economic Weekly Calendar

Date	Description	Actual	Previous	Expected
	Past Week			
23-May-17	Germany GDP (YoY) (Q1)	1.7%	1.7%	1.7%
23-May-17	US New Home Sales Change (MoM)(Apr)	-11.4%	5.8%	-1.5%
24-May-17	US Housing Price Index (MoM) (Mar)	0.6%	0.8%	0.5%
24-May-17	FOMC Minutes			
25-May-17	OPEC Meeting			
26-May-17	US Durable Goods Orders (Apr)	-0.7%	2.3%	-1.4%
	Coming Week			
29-May-17	ECB President Draghi's Speech			
30-May-17	EUR Economic Sentiment Indicator(May)		109.6	110
30-May-17	US Personal Income (MoM) (Apr)		0.2%	0.4%
31-May-17	GER Unemployment change (May)		-15K	-15K
01-June-17	US ISM Manufacturing PMI (May)		54.8	54.6
02-June-17	EUR Producer Price Index (YoY) (Apr)		3.9%	4.6%
02-June-17	US Unemployment Rate (May)		4.4%	4.5%
02-June-17	Nonfarm Payrolls (May)		211k	183k

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