Debt market

- Government bond yields fell for a third straight month, as surplus cash at banks, biggest buyers of sovereign debt in the country, spurred demand
- The benchmark 7.59% bond maturing in 2026 ended at ₹103.23 against the previous close of ₹103.25
- The benchmark 7.59% 2026 bond yield remained unchanged at 7.11% ahead of auction of new paper later this week

Forex (US$/INR)

- The rupee rose to a near two-week high against the dollar on higher inflows and gains in domestic equities erasing earlier losses triggered by bets of an imminent Federal Reserve rate hike
- The dollar index against six major currencies ended lower at 96.02 posting mild losses of 0.03% as stronger economic data lifted risk currencies

Equity

- Benchmark indices extended their run on Wednesday to register a sixth straight month of advance, ahead of the GDP data print
- The Sensex gained 109 points of 0.4% to settle at 28452 while the Nifty surged to 8786, up 42 points or 0.48%. Broader markets cooled off while the focus shifted to heavyweights after a four week hiatus
- The BSE midcap gained 0.3% while the small cap index gained 0.18%. The market breadth was flattish, as a result

Commodities Market

- Crude oil prices plunged on Wednesday as the US Energy Information administration reported that domestic crude supplies rose by 2.3 million barrels, much larger than forecasted
- Gold prices continued to extend losses as payroll processor ADP reported private employment increased in line with expectations ahead of crucial non farm payrolls data due on Friday, a catalyst for rate hike expectations

US$/INR derivatives strategy: Sell September Contract

- In the currency futures market, the most traded dollar-rupee September contract on the NSE ended at 67.26. The September contract open interest rose 1.74% from the previous day
- October contract open interest was up 11.19% from the previous day
- We expect the US dollar to meet supply pressure on rallies. Utilise upsides in the US dollar to go short on US$INR September futures

Intra-day strategy

US$INR September futures contract (NSE) View: Bullish on US$INR

Sell US$INR in the range of 67.45 - 67.55  
Market Lot: US$1000
Target: 67.20 - 67.10  
Stop Loss: 67.65
Support Resistance
$1/$2: 67.20/67.60  
R1/R2: 67.45/67.65

Source: Company, ICICIdirect.com Research

"Call initiation and update messages will be broadcast on iclick-2-gain"
Exhibit 1: US$ INR Currency Future (NSE)

Source: Reuters, ICICIdirect.com Research

Exhibit 2: Pivot Levels (NSE)

<table>
<thead>
<tr>
<th>Futures</th>
<th>Pivot</th>
<th>S1</th>
<th>S2</th>
<th>R1</th>
<th>R2</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$ - INR (Sep)</td>
<td>67.32</td>
<td>67.21</td>
<td>67.15</td>
<td>67.38</td>
<td>67.48</td>
</tr>
<tr>
<td>US$ - INR (Oct)</td>
<td>67.63</td>
<td>67.54</td>
<td>67.48</td>
<td>67.68</td>
<td>67.77</td>
</tr>
<tr>
<td>EUR - INR (Sep)</td>
<td>75.06</td>
<td>74.88</td>
<td>74.78</td>
<td>75.17</td>
<td>75.35</td>
</tr>
<tr>
<td>EUR - INR (Oct)</td>
<td>75.46</td>
<td>75.29</td>
<td>75.20</td>
<td>75.55</td>
<td>75.72</td>
</tr>
<tr>
<td>GBP - INR (Sep)</td>
<td>88.36</td>
<td>88.16</td>
<td>87.91</td>
<td>88.60</td>
<td>88.81</td>
</tr>
<tr>
<td>GBP - INR (Oct)</td>
<td>88.79</td>
<td>88.59</td>
<td>88.34</td>
<td>89.04</td>
<td>89.24</td>
</tr>
<tr>
<td>JPY - INR (Sep)</td>
<td>65.25</td>
<td>65.02</td>
<td>64.89</td>
<td>65.38</td>
<td>65.61</td>
</tr>
<tr>
<td>JPY - INR (Oct)</td>
<td>65.57</td>
<td>65.37</td>
<td>65.27</td>
<td>65.68</td>
<td>65.87</td>
</tr>
</tbody>
</table>

Source: NSE, ICICIdirect.com Research

Exhibit 3: Strategy follow up

<table>
<thead>
<tr>
<th>Date</th>
<th>Contract</th>
<th>View</th>
<th>Strategy</th>
<th>Rec.</th>
<th>Target</th>
<th>SL</th>
<th>(P/L)*</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-Aug-16</td>
<td>September</td>
<td>Buy</td>
<td>Buy Fut</td>
<td>67.20</td>
<td>67.60</td>
<td>67.00</td>
<td>0</td>
<td>Not Initiated</td>
</tr>
</tbody>
</table>

(*Returns are calculated on one lot only)
Exhibit 4: Contract Specification (NSE)

<table>
<thead>
<tr>
<th>Specification</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying</td>
<td>Rate of exchange between one USD and INR</td>
</tr>
<tr>
<td>Trading Hours (Monday to Friday)</td>
<td>09:00 a.m. to 05:00 p.m.</td>
</tr>
<tr>
<td>Contract Size</td>
<td>USD 1000</td>
</tr>
<tr>
<td>Tick Size</td>
<td>0.25 paisa or INR 0.0025</td>
</tr>
<tr>
<td>Trading Period</td>
<td>Maximum expiration period of 12 months</td>
</tr>
<tr>
<td>Contract Months</td>
<td>12 near calendar months</td>
</tr>
<tr>
<td>Final Settlement date/ Value date</td>
<td>Last working day of the month (subject to holiday calendars)</td>
</tr>
<tr>
<td>Last Trading Day</td>
<td>Two working days prior to Final Settlement Date</td>
</tr>
<tr>
<td>Settlement</td>
<td>Cash settled</td>
</tr>
<tr>
<td>Final Settlement Price</td>
<td>The reference rate fixed by RBI two days prior to the final settlement date will be used for final settlement</td>
</tr>
</tbody>
</table>

Source: NSE, ICICIdirect.com Research

NOTES:

- The Sell below / above price is a key technical level, which decides the trend for the day
- Initiate the trade within +/— 0.03—0.04 margin from the recommended level
- A return opportunity of about 0.09 paisa is considered for partial profit booking post initiation of the trade
- Once the Call is initiated, an appropriate Stop Loss trigger should be put for the trade
- Once into position, put trailing stops to preserve your profits
- Be careful if the counter achieves the target immediately after opening
- The strategies are valid only for the date mentioned at the top
- Positions should be squared off by the end of the day
- The strategies are based on intra-day volatility, suggesting a two-way approach intra-day
- Medium to long-term prospects do not have any bearing on the daily view

MOST IMP: The follow-up and performance review table of the strategies indicates the profit opportunity that was available in the strategies. Individual profits may vary, depending upon the entry and exit price and stop losses
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