

08-May-2018

0853 IST or 0323 GMT or 2323 EST

GOOD MORNING!

STOCKS

[Dow \(24357.32, +0.39%\)](#) has moved up and traded in the green yesterday. Looking at the 3-day candle chart [the fall from levels just below 26800 in Jan'18-end to current levels has been a corrective phase and the trade region has been in a contraction mode](#). Now the Dow trades in the last phase of the contraction and could spend some time in the 24500-23200 region before starting a fresh upward rally in the medium term. While near term looks sideways ranged, the index could be preparing for a sharp upmove to begin soon.

[Dax \(12948.14, +1.00%\)](#) seems to be holding well above the 12700 support and looks bullish for the near to medium term targeting higher levels of 13200-13400. Near term trend is up.

[Nikkei \(22536.40, +0.31%\)](#) has not been able to move above 22600 and is stuck at the resistance levels. Trading near important levels, a break above 22600 could take it higher towards 23000+ levels while a rejection could drag it down to 22000 or lower.

[Shanghai \(3151.87, +0.49%\)](#) has again moved up to test 3150. A sustained rise from here is needed to take the index higher towards 3200; else another dip back towards 3100-3050 is possible. A break above 3150 could negate a immediate fall back towards 3050.

[Nifty \(10715.50, +0.92%\)](#) saw a short dip to 10600 before rising from there yesterday. While 10600 acts as a decent immediate support, the index could again head back to higher levels of 10800 over today and tomorrow. Immediate view is bullish.

COMMODITIES

News states Trump to have tweeted on Monday about announcing his decision on Iran at 2pm on Tuesday. While the market awaits the decision, [Brent \(75.52\) dipped from levels near 76.34](#) while [WTI \(69.98\) is down from 70.83](#). Both Brent and Nymex WTI are down from immediate resistances on the daily charts and while that holds, there could be some near term dip towards 75 and 69 respectively.

[Gold \(1313.90\) could face immediate rejection from levels near 1320-1325](#) from where a fall back towards 1300 is possible. Near term looks sideways to bearish. A break above 1325 would open up chances of re-testing 1350 in the medium term.

[Copper \(3.0825\) may remain ranged in the 3.00-3.15 region](#) (revised downside limit from 3.05 mentioned yesterday).

CURRENCIES

[Dollar index \(92.76\)](#) has breached the 92.5 level, seeing a high of 92.97 yesterday. Our expectation of a dip till 92.0-91.50 is now unlikely to happen; however it could test levels near 92.4-92.5 today before rising again. The next 1-2 weeks might well see Dollar Index come close to its [medium term target of 94-95](#) (which corresponds to the 5th wave starting point of the downmove since Dec '16).

[Euro \(1.1925\)](#), against our expectation, did not rise towards 1.20. Instead it saw a low of 1.1898 yesterday. Our expectation of a rise towards 1.205-1.210 is unlikely; however there could be an upmove towards 1.1950-1.1975 today, after which the Euro could dip again. Like the Dollar Index, Euro in the next 1-2 weeks, could come close to its [medium term target near 1.16-1.17 \(which is the 5th wave starting point\)](#) of the Euro's upmove since Dec '16).

[Dollar Yen \(108.96\)](#), as per our expectation, tested support on the upward trendline (daily candles) by seeing a low

near 108.76. As we have been saying, it could now move higher towards 110.5-110.75 in the near term. The broader uptrend looks capped till 110.50-110.75 in the medium term, after which Dollar Yen could turn bearish.

[Euro Yen \(129.94\) is very close to support \(on weekly candles\) near 129.75](#) and we can expect it to stay above this level as Dollar Yen moves higher towards 110 from its support.

[Pound \(1.3565\) had turned very bearish last week after breaking below crucial long term support level near 1.385](#) on weekly line chart. It could move slightly up towards 1.358-1.360 in the next 1-2 sessions, before it resumes its downtrend towards 1.35-1.345.

Dollar Rupee (67.135) could head to 67.35 while Euro falls towards 1.18. A dip if seen could be limited to 67.10 just now.

INTEREST RATES

The Fed had maintained status quo in its May meeting last week but at the same time also expressed positivity regarding rising inflation. In spite of some hawkishness in the Fed's stance, US 10 Year yield has stayed below 3% (after having crossed it once to see a high near 3.03%). We are expecting US yields to start rising again as the June Fed meeting comes closer (where a rate hike is widely expected).

The medium term targets for US yields in our Apr '18 US Treasury report (available on demand) are as follows: 3.2%-3.3% (10 Year), 3.4%-3.5% (30 Year), 3.15% (5 Year) and 2.75% (2 Year). A breach of the 3% level by the 10 year yield would be vital for these targets to be achieved by June. A rate hike is expected in the June Fed meeting, which might start getting factored later this month and could henceforth lead to a rally in yields towards these medium term targets. We also expect some more yield curve flattening in the next month followed by steepening after that, as yields bounce from long term supports.

[US 10 Yr Yield \(2.95%\), 30 Yr \(3.12%\), 5 Yr \(2.79%\), 2 Yr \(2.49%\):](#)

As mentioned yesterday, there is some scope for the [US 30 year yield \(3.12%\) to dip more towards support on short term chart](#) near 3.08% before rising again.

The [10 Year yield \(2.95%\) is testing support on upward trendline](#) in the short term chart. We expect this support to hold, in which case, it should again start moving up towards 3%. As mentioned above, a rise back above 3% could happen later this month as the June Fed rate hike starts getting factored by traders.