Emerging Opportunity in Currency Segment

KEDIA CAPITAL

DATE: 22.06.2019

About Kedia Advisory

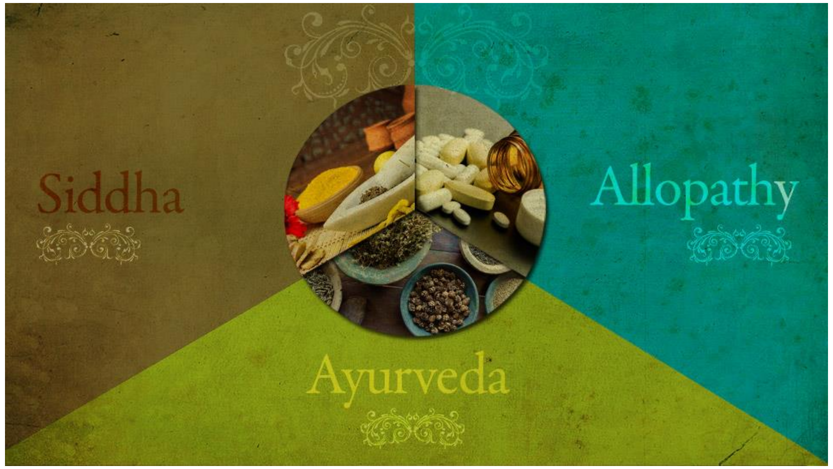
- ✓ KEDIA Advisory is a leading SEBI registered Advisory Company having unparalleled service history of **15 years**.
- ✓ Mr. Ajay Kedia is the Founder and Director of Kedia Advisory.
- ✓ He is well known in the industry for his dynamism and execution capabilities. He is the motivating force behind Kedia's highly acclaimed Research team.
- ✓ Research-based & personalized advisory services are Kedia's forte, and he has undoubtedly been the brain behind it. A genius with hands-on experience in analyzing the markets in depth.
- ✓ We facilitate investors to identify healthy opportunity by looking for positive deviations in the Market, using his tried and tested techniques.



Let assume you have got cut....

So where will you go…

- Allopathy
- Ayurveda
- Homeopathy
- Surgeon




WHERE TO INVEST?
Stock Market
Real Estate
Deposit
Saving Account
Gold Bullion
...


Investment Avenues in India
Direct Equity
Mutual Funds
National Pension Scheme
Public Provident Fund
Bank FD & Govt Bonds
Diamond
Commodity
Currency

HOW TO WIN OVER A
PROSPECTIVE HNI CLIENT

- Which product will you sell to HNI Client ?

  - Mutual Funds
  - Insurance
  - Post Office
  - Fixed Deposits


TRADE IN
CURRENCY DERIVATIVES
A platform for corporate to hedge Fx risk
An exciting and inexpensive platform for intraday and short term trading

Exchange	Symbol	First Value	Current Value	%Chg	HHV	LLV	Average
NSE	NIFTY 27JUN2019	10498.70	11849.45	12.87	12118.00 (3 Jun2019)	9960.00 (23 Mar2018)	10946.17
NSE-CUR	USDINR 26JUN2019	63.88	69.51	8.82	74.69 (11 Oct2018)	63.38 (8 Jan2018)	69.06

Currency Risk

- Every business is subject to the **risk of unforeseeable** changes in business environment

- **Volatility** in exchange rates affects business growth and can be significant.

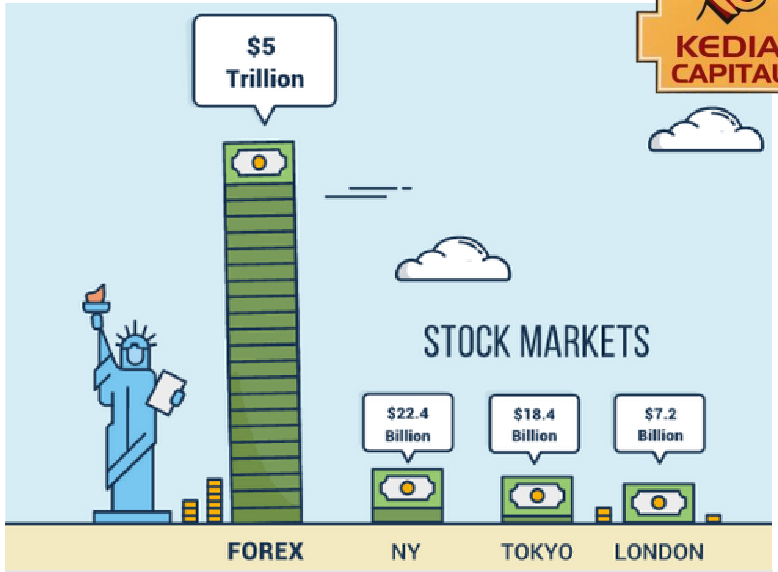
- If you clients are an **exporter, importer** or have foreign currency loans, your clients are directly exposed to exchange rate fluctuation.

- Your client could also have **significant risk** imposed by indirect exposure, such as local purchases of imported goods via agencies, domestic purchase of LME linked commodities, FX loans on books of subsidiary etc.

- It is possible to mitigate these risks by using suitable hedging instruments.

Currency Basic Facts

- **Currency Market Size** –
  - By RBI published numbers, turnover of forex market in India is between USD 40 bn to USD 60 bn.
  - Indian currency market is one of the fastest growing currency markets in the world.
  - After the liberalization process, the scenario has started changing and volumes in INR has picked up drastically.
  - FII inflows and development of currency markets like Singapore are some of the contributing factors for the same.



- **Currency Future Market**
  - NSE introduced currency future segment on 29th August, 2008.
  - BSE and MCX—SX joined the wagon on 1st and 7th October, 2008 respectively.
  - Combined turnover on all three exchanges have touched Rs. 50000 crore a day from the time of the inception.
  - The same has got very encouraging reception even from corporate which are finding the segment as much better way for price discovery than the OTC market. Liquidity and easy access is the key to the growth of the same.

Currency Basic Facts

Spot Market USDINR

- Unlike future, spot markets refer to instant delivery of the currency.
- When one walks into a bank is buying or selling a particular currency, he is unknowingly participating in spot market.
- In India, there are lots of restrictions for spot market participation, e.g., one need to have exposure in the currency or one need to require the currency (e.g., travelling abroad).
- Most of the times, for a retail participant, the merchant or the bank will quote the rate with premium added on both sides (buy and sell).
- The premium will be based on multiple criteria including liquidity in market, amount of currency required etc.

USD/INR

Business Growth in CD Segment

Year	Currency Futures		Average Daily Turnover* (₹ cr.)
	No. of contracts	Turnover (₹ cr.)	
2019-2020	12,89,12,924	9,13,256.37	33,103.12
2018-2019	65,00,24,870	46,54,927.35	35,054.94
2017-2018	39,04,33,137	25,95,685.67	20,778.93
2016-2017	36,26,15,931	24,89,778.94	20,070.56
2015-2016	40,97,59,364	27,49,332.96	18,602.83
2014-2015	35,55,88,963	22,47,992.34	12,705.49
2013-2014	47,83,01,579	29,40,885.92	16,444.73
2012-2013	68,41,59,263	37,65,105.33	21,705.62
2011-2012	70,13,71,974	33,78,488.92	19,479.12
2010-2011	71,21,81,928	32,79,002.13	13,854.57
2009-2010	37,86,06,983	17,82,608.04	7,427.53
2008-2009	3,26,72,768	1,62,272.43	1,167.43

Market Turnover

	Volume (Shares/Contracts)	Turnover (Rs. Cr.)
Equity	20,72,64,431	2,554.42
Debt	-	3,658.35
Derivatives	-	-
Currency Derivatives	49,13,366	34,304.91
Interest Rate Derivatives	6,911	139.90
Commodity Derivatives	2,964	161.87
BSE StAR MF	-	574.46
India International Exchange	2,50,911	22,490.49
Total	21,24,38,583	63,884.40

Currency Basic Facts

Weak Currency

- If a currency is weak, one has to pay more units of the same currency to purchase another currency. E.g., when INR weakens against DOLALR, more INR will be required to purchase same number of DOLLAR.
- This situation is favourable for exporters or service providers.
- Under such situation, products or services will become cheaper from the country with weaker currency.
- Some of the countries who are dependant on exports keep their currency weaker using central bank or policy interventions. E.g., China keeps its currency Yuan weak to enable itself to drive cheaper exports.

Strong Currency

- If a currency is strong, one has to pay lesser units of the same currency to purchase another currency. E.g., when INR strengthens against USD, lesser INR will be required to purchase same number of USD.
- This situation is favourable for importers.
- Under this situation, it will be cheaper for the country to buy services or products from the other country.
- Countries that are having more reliance on imports will prefer a strong currency.
- Strong currency will make exports from the country costlier.
- USA is a net importer of goods and services hence it is better for them to have a strong USD against the currencies of the countries that they are importing goods or services from.

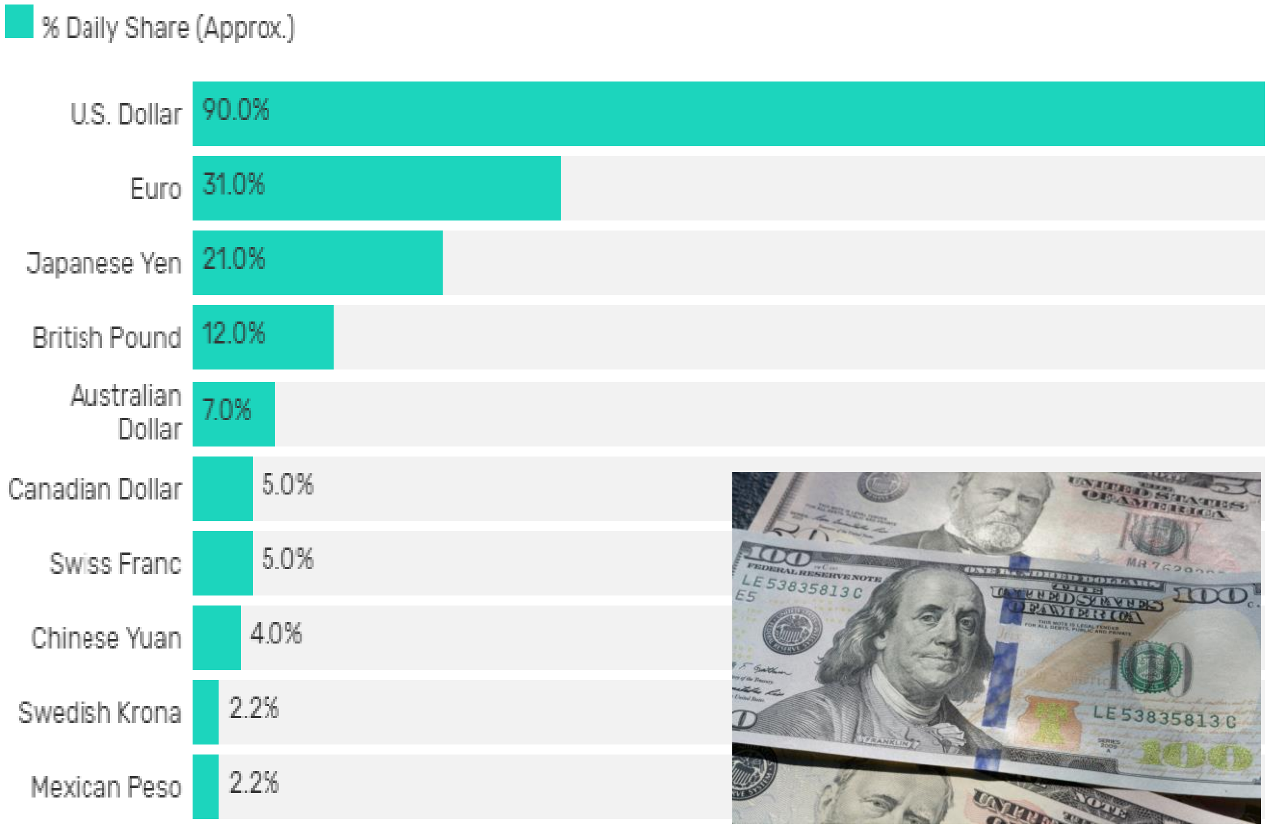
Why the U.S. Dollar Is the Global Currency?

- ✓ Last year USD constituted nearly 62 percent of all known central bank foreign exchange reserves.

- ✓ The relative strength of the U.S. economy supports the value of its currency. Around $580 billion in U.S. bills are used outside the country. That's 65 % of all dollars.

- ✓ In the foreign exchange market, 90 % of forex trading involves the U.S. dollar.

- ✓ This is the reason the dollar is the most powerful currency.



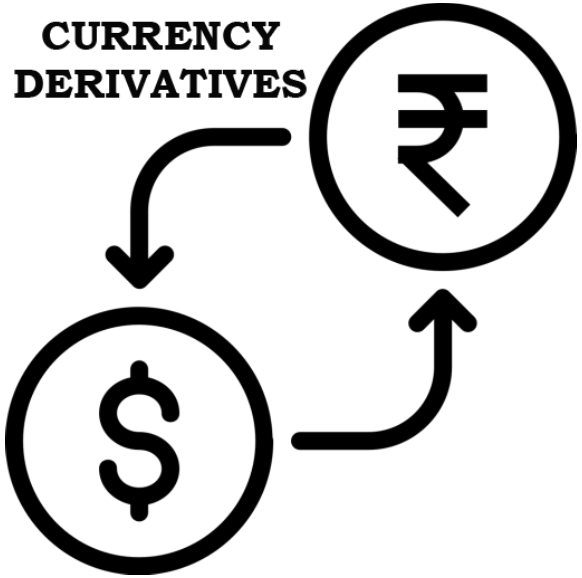
A breakdown of the 10 most traded currencies in 2018.

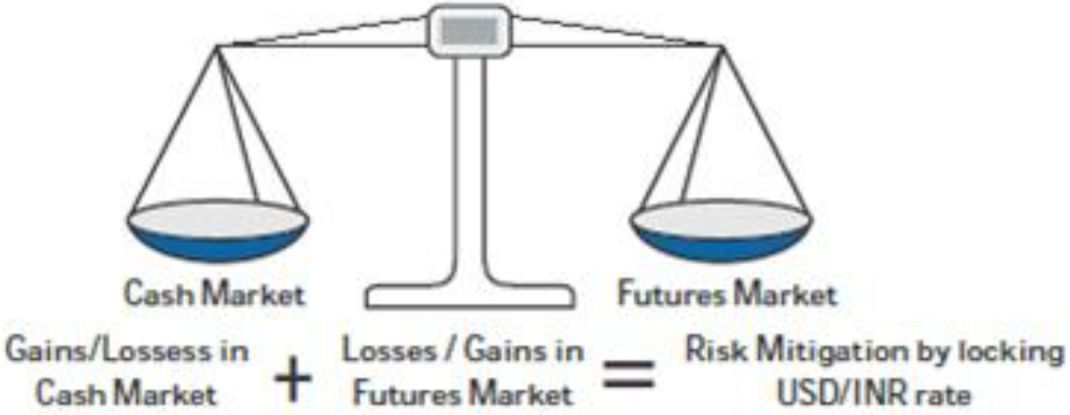
Why should we trade in the Currency Market?

- ✓ The International Currency Market is a market in which participants from around the world buy and sell different currencies.
- ✓ Participants include banks, corporations, central banks, investment management firms, hedge funds, retail forex brokers and investors.
- ✓ The foreign exchange market is unique because of the following characteristics:
  - ➢ Its huge trading volume, representing the largest asset class in the world leading to high liquidity;
  - ➢ its geographical dispersion;
  - ➢ its continuous operation: 24 hours a day except for weekends, i.e., trading from 22:00 GMT on Sunday (Sydney) until 22:00 GMT Friday (New York);
  - ➢ the variety of factors that affect exchange rates;
  - ➢ the low margins of relative profit compared with other markets of fixed income; and
  - ➢ the use of leverage to enhance profit and loss margins and with respect to account size.

What are Currency Derivatives?

- ✓ A currency future, also known as FX future, is a **futures contract to exchange** one currency for another at a specified date in the future at a price (exchange rate) that is fixed on the purchase date.
- ✓ On NSE the price of a future contract is in terms of INR per unit of other currency e.g. US Dollars. Currency future contracts allow **investors to hedge** against foreign exchange risk.
- ✓ Currency Derivatives are available on four currency pairs viz. US Dollars (USD), Euro (EUR), Great Britain Pound (GBP) and Japanese Yen (JPY).
- ✓ Cross Currency Futures & Options contracts on EUR-USD, GBP-USD and USD-JPY are also available for trading in Currency Derivatives segment.





Who can invest in Currency Derivatives?

- ✓ **Exporters** - Exporters have receivables in foreign currency against their goods or services. They generally hedge their currency fluctuation risk with banks. But for small exporters the rates from banks are not competitive. Exchange traded currency futures will provide them much effective tool to hedge their currency risk.

- ✓ **Importers** - Importers also need to hedge their currency risk as they have to pay for goods & services in foreign exchange. Exchange traded currency futures will provide them with simple and more transparent way to hedge their currency risk.

- ✓ **SME** - Some of the SME businesses have currency risk either due to their exposure in FCCBs or foreign currency loans. They are unable to get favourable quotes from banks. Exchange traded currency futures provide them access to cover their forex exposure without relying on banks and their structures.

- ✓ **Traders** - From the beginning of the segment, there is enough liquidity for traders to get benefited from the currency exchange rate movement. With decent contract size of USD 1000, it is easy to access too.

- ✓ **Commodity Traders** Commodity prices are never independent of the currency fluctuations. Currency derivatives will allow commodity traders to isolate currency risk from their portfolios.

Who can invest in Currency Derivatives?

- ✓ **(HNI) Individuals having global portfolios** - No Indian national is allowed to participate in the currency market, but they are allowed to invest money abroad to a specified limit. Exchange traded currency derivatives can facilitate them to isolate from currency fluctuations risk.

- ✓ **Individuals who travel globally** - Global travel requires payments in different currencies. Simply taking positions in exchange traded currency futures will remove volatility in currency movement. So, anyone who travels globally either in personal capacity or on business purpose frequently can utilize the instrument to his/her benefit.

- ✓ **Education Abroad** - Indian students are among largest student community in USA. There will be lot of payments to be made in forex. If the payment due date collides with major weakening of INR, the cost of education can be very high. Instead the risk can be mitigated through the USD-INR exchange traded futures.
- ✓ **Industries where payment can be taken in foreign exchange** - Most of the hotels publish their room tariff both in INR and USD. NRIs often have to make payment in forex. Hence there is need to hedge currency risk. As the amount may not be significant for a bank to quote a favourable rate, exchange traded currency derivatives will be ultimate tool for them to freeze their exchange rates.
- ✓ **Professionals receiving remuneration or stock options in foreign currency** - With global companies expanding in India, lots of Indian nationals receive their remuneration in foreign currency. They can freeze the favourable exchange rate between USD-INR by taking position in futures market.

Factors affecting USD/INR Rates

- Supply and Demand Forces
- Dollar against major currencies like Euro, Pound, Yen
- Global Asian Stock markets
- Indian Stock markets
- Economic factors
  - Government budget deficits
  - Interest rates
  - Inflation
  - Fiscal and Monetary Policy

Factors affecting Currency Derivatives

- **Terms of Trade -** Related to current accounts and balance of payments, the terms of trade is the ratio of export prices to import prices. A country's terms of trade improves if its exports prices rise at a greater rate than its imports prices. This results in higher revenue, which causes a higher demand for the country's currency and an increase in its currency's value. This results in an appreciation of exchange rate.

- **Political Stability & Performance -** A country's political state and economic performance can affect its currency strength. A country with less risk for political turmoil is more attractive to foreign investors, as a result, drawing investment away from other countries with more political and economic stability. Increase in foreign capital, in turn, leads to an appreciation in the value of its domestic currency. A country with sound financial and trade policy does not give any room for uncertainty in value of its currency. But, a country prone to political confusions may see a depreciation in exchange rates.

- **Recession -** When a country experiences a recession, its interest rates are likely to fall, decreasing its chances to acquire foreign capital. As a result, its currency weakens in comparison to that of other countries, therefore lowering the exchange rate.

- **Speculation -** If a country's currency value is expected to rise, investors will demand more of that currency in order to make a profit in the near future. As a result, the value of the currency will rise due to the increase in demand. With this increase in currency value comes a rise in the exchange rate as well.

About USDINR

- ✓ The demand and supply forces in the currency market determine the price of each currency.
- ✓ If the demand for Indian currency is high, Indian rupee will appreciate (for example 1$ = Rs.40), and if demand is low, it will depreciate (for example, 1$ = Rs.70).
- ✓ If market forces determine the value of a currency, that type of system is called Floating Rate System. India has adopted the partial floating rate system since 1975, and from 1993 is fully dependent on Floating Rate System.
- ✓ When Rupee depreciates, it means that more rupee is needed to purchase imports in dollar and exporters get more rupee when they convert the export proceeds in dollar.
- ✓ This is supposed to discourage imports – and to encourage exports and, in turn, to reduce trade deficits.
- ✓ Assume that India is the exporting country and America as the importing country. India exports apples to America. Assume that India devalued India rupee from Rs. 50 =1 dollar to Rs.100 = 1 dollar. The cost of an apple in India before and after rupee devaluation is Rs.50. Now analyse what will happen.

  Before rupee devaluation: Americans will get only 1 apple for 1 dollar.
  After rupee devaluation: Now Americans will get 2 apples for 1 dollar.

PRODUCT SPECIFICATION

Contract Specification →	
Underlying	Rate Of Exchange Between 1 USD & INR
Pair	USD/INR, EUR/INR, GBP/INR, JPY/INR
Contract Months	12 Consecutive Calendar Months I.E. A View Up To 1 Year In Future Can Be Taken
Expiration Date And Time / Last Trading Day & Time	At 12:30 Noon, Two Working Days Prior To The Last Mumbai Interbank Settlement Day Of The Month
Min Price Fluctuation / Tick Size	0.25 Paise Or INR 0.0025
Settlement Daily Interim MTM Settlement Final Settlement	Cash Settled In INR Based On Daily Closing Price Of The Contract Based On LTDs RBI Reference Rate
Margin Required For 1 Lot USD/INR	1.75% On The First Day & 1% Thereafter
Market Timings	9:00 AM To 5:00 PM

Why USDINR ?

- ✓ USDINR is the most active currency pair.
- ✓ As per Volume, Turnover and Open Interest (OI) USDINR is the most widely traded cross currency pair.

Currency Pair	Trade Date	Instrument	Volume (Contracts)	Turnover (Rs. Crore)	Open Interest
USDINR	19-Jun-19	FUTCUR	1631775	11393.12	2503400
GBPINR	19-Jun-19	FUTCUR	119262	1046.8	59734
EURINR	19-Jun-19	FUTCUR	65346	511.38	76828
JPYINR	19-Jun-19	FUTCUR	47515	306.1	70407

Date	Open	High	Low	Close	Net Change	% Change	Volume	OI
2019*	69.7975	72.1450	68.4075	69.8900	-0.05	-0.07	204888259	1446644
2018	64.0425	74.6875	63.3800	69.9400	5.88	9.18	443769876	1356036
2017	68.0825	68.5150	63.7425	64.0575	-4.05	-5.94	250687694	1362774
2016	66.4175	69.2150	66.1575	68.1025	1.72	2.58	293098753	1520711
2015	63.5700	67.3000	61.3750	66.3875	2.92	4.60	300497758	1718290

Different Opportunities in Currency Trading

- **Naked Trading:** It is also known as **Spot Trading.** It is an agreement between two parties to buy one currency against selling another currency at an agreed price for settlement on the spot date. The exchange rate at which the transaction is done is called the spot exchange rate. The standard settlement timeframe for foreign exchange spot transactions is T+2; i.e., two business days from the trade date.

- **Future & Options**: Currency Futures and Currency Options refer to a standardized foreign exchange contract traded on a recognized stock exchange. Simply put, one can use a currency future contract to exchange one currency for an another at a future date at a price decided on the day of the purchase of the contract.

- **Currency Options** are financial contracts in which the buyers have the right, but not the obligation to buy or sell the underlying at a pre-determined price on the pre-determined future date. There are two types of options – Call or Put.

- **Hedging:** Currency hedging is used by financial investors and businesses to eliminate risks they encounter when conducting business internationally. Hedging can be likened to an insurance policy that limits the impact of foreign exchange risk.

Roll-over Strategy in Currency

(An innovative & profitable product)

KEDIA CAPITAL

DATE: 22.06.2019

Roll-over Strategy in Currency (An innovative & profitable product)

KEDIA CAPITAL

USDINR RANGE			
Lowest	64.00	Highest	75.00
Target 1	67.20	Target 2	66.00

✓ **About this strategy**: Here, we are assuming that for a yearly time frame of June 2019 to May 2020, USDINR trading range would be between 64.00 on the lower side and 75.00 on the higher side.

✓ We can execute the roll over strategy 1:

- If we sell 10 lots of USDINR at a cash market price of Rs. 69.60 in June
- Now will roll over this position for the full year
- We will get an average premium of 0.25 (approx.) per month.
- By the end of the year we get a premium of 3.00 in sell roll over position.
- So, by the end of the year our selling price becomes 69.60+3.00 = 72.60.
- **Now, if by year-end USDINR closes at 67.20, then our profit per lot would be 72.60-67.20 = 5.40**
- **i.e. for 10 lots the total profit will be 5,400*10=54,000 (lot size is 1000)**
- **If USDINR closes at our 2nd target of 66.00 then profit per lot will be 72.60-66.00 = 6.60**
- **And for 10 lots total profit will be 6,600*10 = 66,000.**

USDINR EXPECTED RANGE

Lowest	64.00	Highest	75.00	Avrg.	69.50
Target 1	67.20	Target 2	66.00		

KEDIA CAPITAL

AVERAGING PROCESS

Month	Selling Rate	Qty (Lots)	Margin	MTM	Total Investment
Jun-19	69.60	10	17400	-54000	
Total	69.60	10	17,400	(54,000.00)	71,400.00

PROJECTED ROLLOVER

Month	Selling Rate	Qty (Lots)	Projected Price with rollover	Rollover Prem.
Jun-19	69.60	10.00	69.85	0.25
Jul-19	69.80	10.00	70.10	
Aug-19	70.20	10.00	70.35	
Sep-19	70.50	10.00	70.60	
Oct-19	70.80	10.00	70.85	
Nov-19	70.20	10.00	71.10	
Dec-19	69.40	10.00	71.35	
Jan-20	68.90	10.00	71.60	
Feb-20	68.40	10.00	71.85	
Mar-20	67.70	10.00	72.10	
Apr-20	67.30	10.00	72.35	
May-20	66.80	10.00	72.60	
Jun-20	66.50	10.00	72.85	
Jul-20	66.00	10.00	73.10	

Investment Conclusion

Selling Qty	10.00
Selling Avg Rate	69.60
Total Investment (With mtm)	71,400.00
Total Risk	(54,000.00)
Profit (if we square off position @ 67.20)	54,000.00
Profit (if we square off position @ 66.00)	66,000.00

Roll-over Strategy in Currency (An innovative & profitable product)

✓ **2nd Type: Averaging Method**

- Here, we are sell 10 lots per upside movement of Rs. 1.00 starting from 69.60 till 74.60.
- Then, average selling price totals to 72.10 + 3.00(premium) = 75.10
  (Premium 0.25 per month for 12 months).
- Now, suppose USDINR closes at 67.20 by year end then profit will be 75.10-67.20 = 7.90per lot.
- For 10 lots total profit will be 7,900*60 = Rs. 4,74,000.00
  (we are selling 10 lots 6 times with Rs.1.00 upside movement. So, total 60 lots.)
- If USDINR closes at our 2nd target of 66.00 then profit per lot will be 75.10-66.00 = 9.10
- And for 60 lots total profit will be 9100*60 = 5,46,000.
- Profit will increase if USDINR keeps on going down and if it sustains above 75+ we will exit our sell position.

Investment Plan In Usdinr

Lowest	64.00	Highest	75.00	Avrg.	69.50
Target 1	67.20	Target 2	66.00		

AVERAGING PROCESS

Month	Selling Rate	Qty (Lots)	Margin	MTM	Total Investment
Jun-19	70.00	10	17500	-50000	
	71.00	10	17750	-40000	
	72.00	10	18000	-30000	
	73.00	10	18250	-20000	
	74.00	10	18500	-10000	
	75.00	10	18750	0	
Total	72.50	60	108,750	(150,000.00)	258,750.00

PROJECTED ROLLOVER

Month	Selling Rate	Qty (Lots)	:ted Price with ro	Rollover Prem.
Jun-19	69.60	10.00	69.85	0.25
Jul-19	69.80	10.00	70.10	
Aug-19	70.20	10.00	70.35	
Sep-19	70.50	10.00	70.60	
Oct-19	70.80	10.00	70.85	
Nov-19	70.20	10.00	71.10	
Dec-19	69.40	10.00	71.35	
Jan-20	68.90	10.00	71.60	
Feb-20	68.40	10.00	71.85	
Mar-20	67.70	10.00	72.10	
Apr-20	67.30	10.00	72.35	
May-20	66.80	10.00	72.60	
Jun-20	66.50	10.00	72.85	
Jul-20	66.00	10.00	73.10	

Investment Conclusion

Selling Qty	60.00
Selling Avg Rate	72.50
Total Investment (With mtm)	258,750.00
Total Risk	(150,000.00)
Profit (if we square off position @ 67.20)	498,000.00
Profit (if we square off position @ 66.00)	570,000.00

Traded Example

USDINR STRATEGY DETAILS	
Entry Details	
Currency	USDINR-NOV
Date of Entry	24-Oct-18
No . Of Lots	20
Position	Sell
Rate	74.0800
Total Margin	41,485
Rollover Details	
Oct 2018 - June 2019 by 0.25 paise	2.50
Entry Rate after Rollover	76.58
Current Details	
Currency	USDINR-JUNE
Current Date	21-Jun-19
Closed Rate	69.60
Profit Details as per Current Rate	
Profit Per Lot	6.98
Total Profit on 20 Lots	**139,600**

Revenue Calculation

Revenue Calculation for 1 Client in 1 Segment	Working Days	Brokerage Buy	Brokerage Sell	No of Trade in Month	Brokerage
	22	10	10	10	200
Margin Required	7000				
Monthly Revenue	2.86				
Yearly Revenue you can Earn	**34.29**				

Calculated on 1 Client

Done 10 trade in a Month

So just calculate how many Nos of Client x Brokerage

If you have 500 Client than you can earn Rs.1,00,000.00 Monthly.

Account Opening Process

✓E-KYC

Documentation Required

1. Mobile Number – Linked with Adhaar Card
2. Photo of Adhaar Card – Address Proof
3. Photo of Pan Card – Identity Proof
4. Bank Statement - (latest 6months) or ITR
5. Photo of Cancelled Cheque
6. Personal Photo (Passport Size)
7. Photo of Signature (As per Pan Card)
8. Mother's Name
9. Email Id
10. Nominee (If Any) - Adhaar Card, Pan Card

QUESTIONS & ANSWERS

thank you

Mr. Ajay Kedia

405, 4th Floor, Orion Business Park, G.B. Road, Kapurbawdi, Thane West -400607

Mobile: 9320096333

+Email: info@kediacommodity.com