



INR

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
NSE	Aug 2010	45.7300	45.9100	46.2975	46.5600	47.2700	Sideways to lower bias
MCX-SX	Aug 2010	45.7300	45.9100	46.2975	46.5600	47.2700	Sideways to lower bias

INDICATORS	LAST	1 week ago	% Change
LIBOR 1Mth	0.2934	0.3050	-3.79
LIBOR 3Mth	0.4113	0.4538	-9.37
MIBOR 1Mth	0.6500	0.6400	1.56
MIBOR 3Mth	0.9000	0.9000	0.00
U.S. 5Yr Bond Yield	1.5046	1.5964	-5.75
U.S. 10Yr Bond Yield	2.8166	2.9052	-3.05
India 5Yr Bond Yield	7.7090	7.6190	1.18
India 10Yr Bond Yield	7.8300	7.8160	0.18
Reference rate	46.0200	46.4600	-0.95
CBLO rate	4.6200	4.5100	2.44
Call Rate	4.7800	4.9000	-2.45

ASIAN/INR	LAST	1 week ago	% Change
Indian rupee	46.1600	46.4075	-0.53
Chinese Yuan	6.8200	6.8500	-0.44
Hongkong Dollar	5.9470	5.9750	-0.47
Indonesian Rupiah	0.5163	0.5186	-0.44
Myanmar Ringgit	14.6621	14.5844	0.53
Philippines Peso	1.0282	1.0190	0.90
Singapore Dollar	34.2828	34.1163	0.49
S Korean Won	0.3973	0.3924	1.25
Taiwan Dollar	1.4544	1.4514	0.21
Thailand Baht	1.4414	1.4395	0.13

Pair	LAST	1 week ago	% Change
USDINR	46.02	46.46	-0.95
GBPINR	73.21	68.72	6.53
JPYINR 100	53.42	53.70	-0.52
EURINR	60.70	60.73	-0.05

in	LAST	1 week ago	% Change
Foreign Current Asset	258551.00	256714.00	0.72
Special Drawing Rights	5006.00	4987.00	0.38
Gold Reserves	19278.00	19894.00	-3.10
Total FOREX Reserves	284183.00	282938.00	0.44

FUNDAMENTAL REVIEW: The Indian rupee showed volatility but it continued to remain on appreciating note. It settled at 46.16 levels last week appreciating nearly 25 paise or 0.50 percent. During the week rupee touched month high of 45.9750 levels. Its appreciation can be attributed to dollar weakness versus other currencies, firm domestic indices and increase in capital inflow.

On Friday, INR appreciated nearly 20 paise but it was not sustained on account of dollar demand by importers and custodian banks, while domestic indices also quite choppy and Dollar slightly strengthened against Euro on lower production data released by Germany during the day which pressurized rupee to erase monthly gains.

The Indian indices started the week on strong note and sensex opened above 18000 levels supported by Asian equity market but latter it traded in narrow range and at the end of the week, the BSE- Sensex settled at 18143.99 up by 2 percent.

Moreover, the Dollar Index—a gauge of greenback's movement against major global six currencies—has been trading lower for last couple of days and it ended the week down by 1 percent. US released continuously week data and FED Chairmen Bernanke stated that US economy require more stimulus to sustain against the weak economy, which might drag the investor from dollar to other safe haven.

The near month on-shore and off-shore forward contract closed at 46.23 and 46.35 respectively. The one month offshore premium ran stronger than spot rate thereby suggesting a bullish near-term outlook.



TECHNICAL SNAPSHOT: The spot Indian rupee witnessed downtrend last week extending the penultimate week's trend. After making a high of 46.3200 it settled at 45.9600 levels. Closing of the previous week's candle renders indecisive movements for this week. Market is trading below the weekly short term (9, 18) and medium term (45) EMA suggesting downside pressure to be continued. As per the Fibonacci principle, key level to watch is at 45.565 levels (50% retracement of the range 52.1712-38.9588) sustain above expected to limit the downfall. Incase market breaches the support at 45.4900 possible to extend its downtrend till 45.04 then 44.6600 levels. The momentum indicator RSI (14) daily is trading at 0.47 levels and showing a lower potential.

OUTLOOK

- ◆ *Week ahead, the host of new data releases from the US includes non-farm productivity, trade balance, consumer price index, advance retail sales and few more. As per the survey by economist, the overall data shows mixed impact on US economy but it is more negative for US dollar. Moreover, FOMC meet will be held on Tuesday, there is expectation that government probably provide stimulus for month of August. However, low inflation rate and weak job data are indicating that the FED may maintain its interest rate same.*
- ◆ *Investor need to watch on dollar index as it was continuously on downside. It weakened nearly 0.50 percent on Friday.*
- ◆ *In the week ahead, dollar index is expected to remain volatile due to mixed economic data releases; however, investors' sentiment towards dollar might remain weak. Moreover, Euro-zone (Germany and Europe) date releases are expected to be positive— except industrial production, which is slightly down—may result into stronger Euro again the dollar. Moreover, India's food inflation also slightly moderate and monsoon improving which will boost production activity and industrial demand in near term.*
- ◆ *Sustained capital inflow, firm domestic indices, weak US economy and strengthening euro against Dollar are the supporting factors for rupee. Overall. We are expecting rupee to appreciate against dollar.*

Technically speaking, we expect rupee to trade sideways to lower bias.

CROSS	LAST	1 week ago	% Change
USDINR	46.16	46.41	-0.53
EUROINR	61.07	60.55	0.86
GBPINR	73.32	72.81	0.70
JPY (100) Futures	53.97	53.66	0.58
MYR	14.66	14.58	0.53
SGD	34.28	34.12	0.49

CROSS	LAST	1 week ago	% Change
INR SPOT	46.16	46.41	-0.53
MCX-SX Futures	46.30	46.64	-0.73
NSE Futures	46.30	46.64	-0.73
1 Month NDF	46.23	46.61	-0.82
1 Month FORW ^l	46.35	46.70	-0.74
NIFTY	5439.25	5367.60	1.33
SENSEX	18143.99	17868.29	1.54



DOLLAR INDEX

Exchange	Contract	S 2	S 1	Close	R 1	R 2	Recommendation
Dollar Index	SPOT	79.290	79.780	80.407	80.86	81.580	Sell at 80.71 TP 79.80 SL 81.1



TECHNICAL SNAPSHOT

Dollar index witnessed further downtrend last week by extending the previous trend. After making a low of 80.097 it settled at 80.379 levels. Candlestick principle suggests sideways to lower movements could be witnessed for this week. Trading below the weekly short term (9, 18) and medium term (50) EMA suggests market to remain lower. As per the Fibonacci principle market is witnessing a strong support near 79.722 levels (61.8% retracement of the range 88.704-74.17) sustain above is likely to bounce back. In case market breaches the support at 79.722 possible to extend its drop in short term. The momentum indicator RSI (14) weekly ended at 40 levels and still has the potential to move near oversold zone.

OUTLOOK

We expect dollar index to see a higher correction before resuming its downtrend. However, on the higher side resistance is at 81.437 levels sustain below is likely to trade lower.

CROSS	LAST	1 week ago	% Change
NASDAQ	2288.47	2254.70	1.50
DJIA	10653.56	10465.94	1.79
S/P 500 INDEX	1121.64	1101.60	1.82



EUR / USD- SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
EURO /USD	SPOT	1.3010	1.3120	1.3280	1.3350	1.3509	Buy at 1.3200 TP 1.3500 SL 1.3000

Particulars	This week	Last week	% change
MSCI Europe	86.47	85.36	1.30%
Euro 1-Month	1.3279	1.3052	1.74%
Euro 3-Month	1.3275	1.3049	1.73%



FUNDAMENTAL REVIEW

- ◆ In the last week, the **Euro** strengthened against dollar and Indian rupee. Its appreciation was on account of slowing US economic recovery and weak US data against Europe. Euro appreciated nearly 1.7 percent against dollar and touched high of \$1.33. But on Friday, release of lower German industrial production erased gains and it was down nearly 0.20 percent against dollar. Moreover, decrease in consumer spending and unchanged unemployment rate supported the Euro to strengthen during the week.
- ◆ In the week ahead, fresh data releases from Europe such as trade balance, GDP and euro zone industrial production would make positive impact on euro. Moreover, debt concern on southern Europe has slowed down and ECB president Trichet also stated that European economy is recovering faster than expected and money market is improving. There are certain risk factors also need to consider like market recovery is quite uneven, expectation of fiscal policy tightening would have negative impact on euro zone.

OUTLOOK

Euro will drop if Greece restructures its debt and any fiscal tightening in short term is negative for euro. The short term interest rate gap between US and Europe widened which decreased the demand for US Assets. Overall, we are expecting Euro to appreciate for short term against Dollar until any triggering event happens in US economy

Technically, we expect Euro to trade higher and recommend buying near support levels.

TECHNICAL SNAPSHOT: Euro traded higher in last week by extending the previous trend. After making a high of 1.3333 it settled at 1.3286 levels. Closing of the previous week's candle renders sideways to higher movements for this week. Market has breached and currently trading above 1.3117 (38.2% retracement of the range 1.5141-1.1865) suggests upside momentum to be continued. A mild lower correction is expected before resuming its uptrend. The momentum indicator RSI (14) weekly ended at 0.54 levels and still has the potential to move higher. The immediate support is at 1.3260 levels sustain above is likely to extend its gains till 1.3503 levels.



GBP/USD- SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
GBP/USD	SPOT	1.5690	1.5860	1.5942	1.6000	1.6253	Buy at 1.5870 TP 1.6060 SL 1.5720

CROSS	LAST	1 week ago	% Change
FTSE 100 INDEX	5332.39	5258.02	1.41
DAX INDEX	6259.63	6147.97	1.82
GBP1M BGN CURRENCY	1.59	1.57	1.61
GBP3M BGN CURRENCY	1.59	1.57	1.60



FUNDAMENTAL REVIEW

- ◆ The **British pound** appreciated against dollar and hit week's high on Friday due to higher-than-expected jobless claims in US. Moreover, British pound touched six month high on Tuesday but it slipped due to decrease in industrial production of June. It touched week's high at \$1.60 and settled at \$ 1.5942 levels.
- ◆ British Monetary policy committee, kept rate same at 0.50 percent as higher inflation threat maintained by tentative recovery. Moreover, BOE will publish quarterly inflation report on 11th August which clears the view about inflation.
- ◆ The UK economy is still facing heavy public debt burden and huge public deficit. Moreover, government also cut welfare spending and increase in sales tax to decrease the budget deficit. But Department of insolvency predict that it will make more companies to insolvent and more job losses in public and private sector.

OUTLOOK

Overall, we are expecting pound to appreciate further but it may show slight correction in mid of the week. Moreover, UK economy shows tentative recovery so lower industrial production data will not have much impact on pound.

Technically we expect to trade higher and recommend buying near support levels.

TECHNICAL SNAPSHOT: The pound witnessed an upside movements in last week by extending the previous gains. Overall, it gained as much as 5.9% from the past four weeks. Candlestick principle suggests still market has the potential to move higher. A mild correction is expected before resuming its upside movements. The crucial support is at 1.587(61.8% retracement of the range 1.6895-1.4212 levels) sustain above is likely to extend its gains till 1.6070 then 1.6200 levels. Trading above the weekly short term (9, 18) and medium term (45) EMA suggests market to remain higher. The momentum indicator RSI (14) weekly is trading at 0.63 levels and still has the potential to move higher.



USD/JPY-SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
USD/JPY	SPOT	82.70	84.80	85.51	86.30	87.90	Sell at 85.9 TP 83 SL 87

CROSS	LAST	1 week ago	% Change
NIKKEI INDEX	9642.12	9537.30	1.10
JPY1M BGN CURRENCY	85.49	86.45	-1.11
JPY3M BGN CURRENCY	85.44	86.40	-1.11



OUTLOOK

Overall, yen is likely to remain on appreciate note on account of positive economic data expectation of Japan and US weak global economy. But two risk factors need to be consider (1) BOJ Intervention, (2) FOMC meet; this might change the outlook of yen.

Technically, we expect yen to trade lower and recommend selling near resistance levels.

FUNDAMENTAL REVIEW

- ◆ The *Japanese yen* remained volatile but at the end of the week closed on appreciate note. It showed eight month high of 85.02 levels against dollar as US released weak economic data. It opened at 86.47 levels and settled at 85.47 so If we consider week on week change than it nearly appreciated 1 percent against greenback
- ◆ If we consider long term factor there might be some risk depicts in Japanese economy such as based on purchasing power parity yen is overvalued against euro and dollar. Moreover global financial crisis decrease at lower pace which will increase the demand for Japanese bond and it will hamper the growth of export. Moreover, deflation is key concern in Japan due to this interest rate hike also not possible. So when deflation situation hover and less demand in market then next best option is artificial weakening of currency.
- ◆ While on Tuesday, Cabinet official meet which will decide the interest rate and short term monetary policy.

TECHNICAL SNAPSHOT: The spot yen witnessed a downfall in last week by extending the previous week's trend. After making a low of 85 it settled at 85.60 levels. Market is witnessing a crucial support at 84.7 (Previous swing low) on break below is likely to extend its drop till 83.4 then 81.7 levels. On the higher side trend line resistance is at 87.5 levels sustain below is expected to limit the gains. Trading below the weekly short term (9, 18) and medium term (45) EMA suggests downside potential to be continued. Supported by momentum indicator RSI (14) weekly has ended at 0.36 levels and still has the potential to test oversold zone.



ECONOMIC DATA RELEASES

Date Time		Event		Survey	Prior
08/07/2010 00:30	US	Consumer Credit	JUN	-\$5.3B	-\$9.1B
08/09/2010 11:30	GE	Trade Balance	JUN	12.0B	9.7B
08/09/2010 11:30	GE	Imports SA (MoM)	JUN	-2.00%	14.80%
08/09/2010 11:30	GE	Current Account (EURO)	JUN	13.6B	2.2B
08/09/2010 11:30	GE	Exports SA (MoM)	JUN	1.50%	9.20%
08/10/2010	CH	Trade Balance (USD)	JUL	\$19.60B	\$20.02B
08/10/2010	CH	Exports YoY%	JUL	35.00%	43.90%
08/10/2010	CH	Imports YoY%	JUL	30.00%	34.10%
08/10/2010 11:30	GE	CPI - EU Harmonised (MoM)	JUL F	0.30%	0.30%
08/10/2010 11:30	GE	Consumer Price Index (MoM)	JUL F	0.20%	0.20%
08/10/2010 11:30	GE	Wholesale Price Index (MoM)	JUL	--	-0.20%
08/10/2010 18:00	US	Nonfarm Productivity	2Q P	0.20%	2.80%
08/10/2010 19:30	US	Wholesale Inventories	JUN	0.40%	0.50%
08/10/2010 19:30	US	IBD/TIPP Economic Optimism	AUG	--	44.7
08/10/2010 23:45	US	FOMC Rate Decision	10-Aug	0.25%	0.25%
08/11/2010 07:30	CH	Producer Price Index (YoY)	JUL	6.00%	6.40%
08/11/2010 07:30	CH	Consumer Price Index (YoY)	JUL	3.30%	2.90%
08/11/2010 07:30	CH	Retail Sales (YoY)	JUL	18.50%	18.30%
08/11/2010 07:30	CH	Industrial Production (YoY)	JUL	13.40%	13.70%
08/11/2010 07:30	CH	Fixed Assets Inv Urban YTD YoY	JUL	25.30%	25.50%
08/11/2010 18:00	US	Trade Balance	JUN	-\$42.3B	-\$42.3B
08/11/2010 23:30	US	Monthly Budget Statement	JUL	-\$169.0B	-\$180.7B
08/12/2010	IN	Industrial Production YoY	JUN	--	11.50%
08/12/2010 14:30	EC	Euro-Zone Ind. Prod. sa (MoM)	JUN	0.60%	0.90%
08/12/2010 18:00	US	Import Price Index (MoM)	JUL	0.40%	-1.30%
08/12/2010 18:00	US	Initial Jobless Claims	7-Aug	465K	479K
08/12/2010 18:00	US	Continuing Claims	31-Jul	4540K	4537K
08/13/2010 11:30	GE	GDP s.a. (QOQ)	2Q P	1.30%	0.20%
08/13/2010 14:30	EC	Euro-Zone Trade Balance sa	JUN	-0.7B	-3.0B
08/13/2010 14:30	EC	Euro-Zone GDP s.a. (QoQ)	2Q A	0.70%	0.20%
08/13/2010 18:00	US	Consumer Price Index (MoM)	JUL	0.20%	-0.10%
08/13/2010 18:00	US	Advance Retail Sales	JUL	0.50%	-0.50%
08/13/2010 18:00	US	Retail Sales Less Autos	JUL	0.30%	-0.10%
08/13/2010 19:25	US	U. of Michigan Confidence	AUG P	69.4	67.8
08/13/2010 19:30	US	Business Inventories	JUN	0.20%	0.10%



To unsubscribe please mail us at currency@karvy.com

Disclaimer

The report contains the opinions of the author that are not to be construed as investment advice. The author, directors and other employees of Karvy, and its affiliates, cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above-mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in currency derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Currency derivatives trading involve substantial risk. The valuation of the underlying may fluctuate, and as a result, clients may lose their entire original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by, or from, Karvy Stock Broking that you will profit or that losses can, or will be, limited in any manner whatsoever. Past results are no indication of future performance. The information provided in this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management, or investment advisory services. The reports are only for information purposes and not to be construed as investment advice.