



## INR

| Exchange      | Contract | S 2     | S1      | Close   | R 1     | R2      | Recommendation                       |
|---------------|----------|---------|---------|---------|---------|---------|--------------------------------------|
| <b>NSE</b>    | Aug 2010 | 46.0100 | 46.6100 | 46.8500 | 47.3000 | 47.6100 | Buy at 46.74 TP 47.24/47.52 SL 46.30 |
| <b>MCX-SX</b> | Aug 2010 | 46.0100 | 46.6100 | 46.8500 | 47.3000 | 47.6100 | Buy at 46.74 TP 47.24/47.52 SL 46.30 |

| INDICATORS            | LAST    | 1 week ago | % Change |
|-----------------------|---------|------------|----------|
| LIBOR 1Mth            | 0.2719  | 0.2934     | -7.35    |
| LIBOR 3Mth            | 0.3694  | 0.4113     | -10.18   |
| MIBOR 1Mth            | 0.6500  | 0.6500     | 0.00     |
| MIBOR 3Mth            | 0.9000  | 0.9000     | 0.00     |
| U.S. 5Yr Bond Yield   | 1.4516  | 1.5046     | -3.52    |
| U.S. 10Yr Bond Yield  | 2.6716  | 2.8166     | -5.15    |
| India 5Yr Bond Yield  | 7.6800  | 7.7090     | -0.38    |
| India 10Yr Bond Yield | 7.8600  | 7.8300     | 0.38     |
| Reference rate        | 46.5800 | 46.0200    | 1.22     |
| CBLO rate             | 4.4300  | 4.6200     | -4.11    |
| Call Rate             | 5.1000  | 4.7800     | 6.69     |

| ASIAN/INR         | LAST    | 1 week ago | % Change |
|-------------------|---------|------------|----------|
| Indian rupee      | 46.7650 | 46.1600    | 1.31     |
| Chinese Yuan      | 6.8810  | 6.8200     | 0.89     |
| Hongkong Dollar   | 6.0170  | 5.9470     | 1.18     |
| Indonesian Rupiah | 0.5209  | 0.5163     | 0.89     |
| Myanmar Ringgit   | 14.7640 | 14.6621    | 0.69     |
| Philippines Peso  | 1.0322  | 1.0282     | 0.39     |
| Singapore Dollar  | 34.3121 | 34.2828    | 0.09     |
| S Korean Won      | 0.3951  | 0.3973     | -0.55    |
| Taiwan Dollar     | 1.4660  | 1.4544     | 0.80     |
| Thailand Baht     | 1.4660  | 1.4414     | 1.70     |

| Pair       | LAST  | 1 week ago | % Change |
|------------|-------|------------|----------|
| USDINR     | 46.58 | 46.02      | 1.22     |
| GBPINR     | 72.79 | 68.72      | 5.92     |
| JPYINR 100 | 54.10 | 53.42      | 1.27     |
| EURINR     | 60.05 | 60.70      | -1.07    |

| Foreign Reserves       | LAST      | 1 week ago | % Change |
|------------------------|-----------|------------|----------|
| Foreign Current Asset  | 261079.00 | 258551.00  | 0.98     |
| Special Drawing Rights | 5041.00   | 5006.00    | 0.70     |
| Gold Reserves          | 19278.00  | 19278.00   | 0.00     |
| Total FOREX Reserves   | 287356.00 | 284183.00  | 1.12     |

**FUNDAMENTAL REVIEW:** In the second week of August, the Indian rupee closed on depreciating note. It settled at 46.7650 levels, down by 63 paise or 1.4 percent. Rupee erased all of its gains it saw in the previous three weeks, as weak global economic outlook and stronger greenback made Indian unit subdued. Starting the week on appreciation note, rupee later turned around to depreciation mode ahead of FOMC meet.

Federal Reserve and Bank of England kept their benchmark interest rates unchanged at 0.25% and 0.50%, respectively. Moreover, Federal Reserve stated that it will purchase mortgage backed securities to maintain liquidity into the market which showed a slower than anticipated recovery in the US economy. Yet, the dollar strengthened against its major trading partners as investors shifted from riskier propositions to relatively safer currencies such as; the Yen and dollar.

On Friday, INR appreciated nearly 24 paise but later it tracked declines in the Euro, as a result of widening difference between German and European bonds. Moreover, the Dollar Index—a gauge of greenback's movement against the world's six major currencies—has been trading higher since last week and it ended up by nearly 3 percent. The Federal bank's assessment of its economy which could be lower than expected, weak industrial production of China, Inflation concerns in China and UK also downgrading its economic growth prospects dampened the market sentiments which resulted in investors rushing towards safer assets such as; the Yen, dollar and gold.

**Conclusively, we can say that the dollar's rebound was mainly attributed by weakness in the Euro and shattering investors' sentiments.**



## TECHNICAL SNAPSHOT:

The Indian rupee witnessed an upside movements in last week by reversing the previous trend. Initial bias remains higher for this week. Candlestick principle suggests sideways to higher movements to be continued for this week. Closing above the weekly short term and medium term EMA is also supporting the above sentence. Moreover, the crucial support is at 45.7300 levels (trend line) support sustain above is likely to remain higher. Immediate support is at 47.3000 levels on break above is possible to extend its gains till 47.8500 levels. For this week a minor support level is at 46.3000 levels trade above expecting market to test 47 then 47.3000 levels. The momentum indicator RSI (14) weekly is at 0.54 levels and still has the potential to move higher.

## OUTLOOK

- ◆ *Week ahead, the host of new data releases from the US includes Empire manufacturing, Net Long term TIC flows, Housing starts and building permits, jobless claims and Philadelphia fed the overall data shows positive outlook for dollar.*
- ◆ *Investors need to watch on the dollar index as it was continuously improving in the last week with nearly 3% gains for the said period. Investors will continue to remain risk-averse and chase safe haven investment avenues, given that global economic recovery is expected to be slower than expected. Thus, the dollar index may remain firm for the coming week.*
- ◆ *Indian rupee may open on positive note on Monday as monthly wholesale price Index is expected to improve marginally but still in double digit. However, the House expects that the RBI may increase lending rates in near term to tame the inflation. Moreover, lower industrial production of India depicts that domestic economy was largely affected due to global weakness, inflation and higher current account deficit.*
- ◆ *During the week, there might be higher demand for dollars by domestic importers as investor invest into next safe haven assets. Other global factors such as weakness in EURO, China data fuel and PIIGS auction will raise the risk aversion of investor. Overall, we are on bearish note for Indian rupee although investor should watch capital inflows and dollar index movement.*
- ◆ *We expect rupee to trade higher and recommend buying.*

| CROSS             | LAST  | 1 week ago | % Change |
|-------------------|-------|------------|----------|
| USDINR            | 46.77 | 46.16      | 1.31     |
| EUROINR           | 59.50 | 61.07      | -2.58    |
| GBPINR            | 72.78 | 73.32      | -0.73    |
| JPY (100) Futures | 54.14 | 53.97      | 0.31     |
| MYR               | 14.76 | 14.66      | 0.69     |
| SGD               | 34.31 | 34.28      | 0.09     |

| CROSS          | LAST     | 1 week ago | % Change |
|----------------|----------|------------|----------|
| INR SPOT       | 46.77    | 46.16      | 1.31     |
| MCX-SX Futures | 46.87    | 46.30      | 1.24     |
| NSE Futures    | 46.85    | 46.30      | 1.19     |
| 1 Month NDF    | 47.00    | 46.23      | 1.67     |
| 1 Month FORWA  | 46.97    | 46.35      | 1.33     |
| NIFTY          | 5452.10  | 5439.25    | 0.24     |
| SENSEX         | 18167.03 | 18143.99   | 0.13     |



## DOLLAR INDEX

| Exchange     | Contract | S 2    | S 1    | Close  | R 1   | R 2    | Recommendation                 |
|--------------|----------|--------|--------|--------|-------|--------|--------------------------------|
| Dollar Index | SPOT     | 81.570 | 82.110 | 82.869 | 83.29 | 84.460 | Buy at 82.29 TP 83.45 SL 81.90 |



**TECHNICAL SNAPSHOT:** Dollar index surprised in the last week and closed higher by reversing the previous massive fall trend. Overall it gained as much as 2.8% from the previous week's close. As per the Fibonacci rule market took a correction near to 61.8% retracement (79.722) of the rise from 74.17-88.704 levels. At present market is witnessing a resistance at 83.543 levels (23.6% projection of 74.17-88.704 levels). Initially we may see some lower correction before resuming its uptrend. The key level to watch is at 82.17, which is acting as a minor support level. Sustained trade above is likely to push the index till 83.543 levels. Interesting part is the formation of **"falling wedge"** in weekly chart is suggesting an upside momentum to be continued for short term. As of now market has given breakout and closing above the upper trend line is convincing the bullishness for this week.

### OUTLOOK

*We expect dollar index to trade higher and recommend buying near support levels.*

| CROSS         | LAST     | 1 week ago | % Change |
|---------------|----------|------------|----------|
| NASDAQ        | 2173.48  | 2288.47    | -5.02    |
| DJIA          | 10303.15 | 10653.56   | -3.29    |
| S/P 500 INDEX | 1079.25  | 1121.64    | -3.78    |



## EUR / USD- SPOT

| Exchange  | Contract | S 2    | S1     | Close | R 1    | R2     | Recommendation                     |
|-----------|----------|--------|--------|-------|--------|--------|------------------------------------|
| EURO /USD | SPOT     | 1.2430 | 1.2670 | 12754 | 1.2913 | 1.3100 | Sell at 1.2860 TP 1.2620 SL 1.2930 |

| Particulars  | This week | Last week | % change |
|--------------|-----------|-----------|----------|
| MSCI Europe  | 84.19     | 86.47     | -2.64%   |
| Euro 1-Month | 1.2753    | 1.3279    | -3.96%   |
| Euro 3-Month | 1.2750    | 1.3275    | -3.95%   |



### OUTLOOK

Week ahead, the Euro zone economic data are not much supportive for the Euro. While during last week, investors shifted their focus to other safe haven assets. Moreover, European countries are facing uneven recovery which pressurized the euro continuously. Overall, we are expecting bearish outlook for Euro. It may show some volatility in the end of the week. PIIGS bond auctions will decide direction of EURO.

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

### FUNDAMENTAL REVIEW

- ◆ In the last week, the **Euro** weakened against Dollar, INR and Yen. Its depreciation was on account of strengthened dollar index in the market and weakened investor sentiment on Greece and Spain debt Auction. Moreover, lackluster demand for Italian bond auction weighs on euro against greenback. Euro depreciated nearly 4 percent against dollar and touched low of \$1.2750 and settled at \$1.2754.
- ◆ Moreover, in debt auction gap between Spain and German treasury yield were widening which state that European Economy still facing sovereign debt crisis heat as investor expect more return.
- ◆ In the week ahead, fresh data releases from Europe such as CPI Index, ZEW survey for Germany and Europe, current account balance which would not make much positive impact on euro. Thus, now Trichet need to revised its statement before implement any Fiscal policy tightening as Spain were experiencing the liquidity problems.
- ◆ The problems for European countries are huge differences between their tax structure, policy and growth. France, Germany and Italy are growing while on the other side harsh spending cuts are affecting other periphery economies.

### TECHNICAL SNAPSHOT:

A drastic fall has been witnessed in the last week by reversing the previous gains. Initial bias remains lower side for this week. A mild higher correction cannot be ruled out before resuming its downtrend. Closing of the previous two week's candle resembles "**Bearish engulfing pattern**" suggests a downside pressure to be continued for this week. The indicator analysis is also supporting the above downside view. The market is trading below the weekly short term and medium term EMA is looking further weakness in coming session. Moreover, a minor support is witnessing near 1.2730(trend line) levels sustain above is likely to test 1.2942 then 1.3050 levels. The momentum indicator RSI (14) weekly is trading at 0.41 levels and showing a lower potential.



## GBP/USD- SPOT

| Exchange | Contract | S 2    | S1     | Close  | R 1    | R2     | Recommendation                     |
|----------|----------|--------|--------|--------|--------|--------|------------------------------------|
| GBP/USD  | SPOT     | 1.5340 | 1.5500 | 1.5592 | 1.5670 | 1.5850 | Sell at 1.5670 TP 1.5400 SL 1.5800 |

| CROSS              | LAST    | 1 week ago | % Change |
|--------------------|---------|------------|----------|
| FTSE 100 INDEX     | 5275.44 | 5332.39    | -1.07    |
| DAX INDEX          | 6110.41 | 6259.63    | -2.38    |
| GBP1M BGN CURRENCY | 1.56    | 1.59       | -2.20    |
| GBP3M BGN CURRENCY | 1.56    | 1.59       | -2.20    |

### FUNDAMENTAL REVIEW

- ◆ The **British pound** depreciated nearly 2.3% against dollar. It erased last week gain continuously as Federal Reserve expressed caution against weak economy recovery while on the other side in quarterly inflation report meet, Bank of England downgraded the growth and inflation expectation.
- ◆ While on Friday, pound rallied against dollar first time but it unable to remain on \$1.56 as change in investor appetite for lower yielding assets and tracking global weak economy.
- ◆ Moreover, BOE published quarterly inflation report which kept interest rate at same level but there might be chances of increase in interest rate in MPC meet which is held on 18<sup>th</sup> August on expectation of increasing Consumer Price Index. 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 the pound to remain on bearish note. Investors should keep track on the dollar index movement and Monetary Policy Meeting (MPC) minutes as on 18<sup>th</sup> august. Investor should watch government policy change as cut in welfare spending and increase in tax may make negative impact for sterling. Moreover, near term direction depends on EU auctions.

**Technically we recommend selling below 1.5530 levels.**

### TECHNICAL SNAPSHOT:

The sterling traded lower in last week by reversing the previous gains. After making a high of 1.5997 it settled at 1.5605 levels. Market has breached the previous week's low at 1.5694 and closing below the same suggests pound to trade lower. A mild higher correction is expected to before resuming its downtrend. However, on the lower side immediate support is at 1.5536 levels on breach of the same is likely to drop till 1.5407 then 1.5229 levels. In case market fails to breach the support at 1.5530 levels is possible to trade sideways to higher. Overall, we expect pound to trade in the band of 1.6000-1.5530 levels. Either side breakout would confirm the trend.



## USD/JPY-SPOT

| Exchange | Contract | S 2   | S1    | Close | R 1   | R2    | Recommendation               |
|----------|----------|-------|-------|-------|-------|-------|------------------------------|
| USD/JPY  | SPOT     | 82.70 | 84.80 | 86.20 | 86.90 | 88.30 | Sell at 86.1 TP 84.3 SL 87.2 |

| CROSS              | LAST    | 1 week ago | % Change |
|--------------------|---------|------------|----------|
| NIKKEI INDEX       | 9253.46 | 9642.12    | -4.03    |
| JPY1M BGN CURRENCY | 86.18   | 85.49      | 0.81     |
| JPY3M BGN CURRENCY | 86.12   | 85.44      | 0.80     |



### FUNDAMENTAL REVIEW

- ◆ The *Japanese yen* remained volatile but at the end of the week closed on depreciated note, it opened at 85.52 and settled at 86.20 down by 0.80 percent. Moreover, on Wednesday Yen rose to 84.73 levels since 1995 levels which pressurized Japanese government to intervene into the market. While on the other side, Euro appreciating against yen on easing debt financial crisis and higher economic growth of Germany.
- ◆ Japanese yen overvalued against euro and dollar which is concern for Japanese Government. While continuously appreciation in yen will heat the export business.
- ◆ Cabinet official meet kept the interest rate unchanged. Moreover, there is expectation that Government will intervene into the market over yen appreciation concern, but before intervening government should first comprehensively analyze the yen strength and stock falls.

### OUTLOOK

*Investors need to consider (1) BOJ intervention, (2) Result of European Bond Auction. If European bond auctions go well, threat of BOJ intervention slower down and vice versa. Overall, we are expecting yen to appreciate; still there is some correction due in JPY.*

***We expect yen to trade sideways. However, on break above 86.80 is possible to extend its gains.***

### TECHNICAL SNAPSHOT:

The Japanese yen initially made a weekly low of 84.71 levels from there after market took reversal and settled higher at 86.33 levels. Closing of the previous week's candle renders sideways to higher side movements. However, on the higher side a trend line is resisting at 86.8 levels. Sustain below is possible to resume its downtrend. Only on break above 86.8 levels is expected to extend its gains till 87.90 levels. Trading below the weekly short term and medium term EMA suggests market to remain under pressure. In long term picture the stiff resistance is at 88 levels (Previous swing high) market is likely to remain downside as long as it holds the same.



## ECONOMIC DATA RELEASES

| Date Time        |    | Event  |        | Survey  | Prior   |
|------------------|----|--|--------|---------|---------|
| 08/16/2010 12:00 | IN | Monthly Wholesale Prices YoY%                      | JUL    | 10.40%  | 10.55%  |
| 08/16/2010 14:30 | EC | Euro-Zone CPI (MoM)                                | JUL    | -0.40%  | 0.00%   |
| 08/16/2010 14:30 | EC | Euro-Zone CPI (YoY)                                | JUL F  | 1.70%   | 1.40%   |
| 08/16/2010 14:30 | EC | Euro-Zone CPI - Core (YoY)                         | JUL    | 1.00%   | 0.90%   |
| 08/16/2010 18:00 | US | Empire Manufacturing                               | AUG    | 8.3     | 5.08    |
| 08/16/2010 18:30 | US | Net Long-term TIC Flows                            | JUN    | \$45.7B | \$35.4B |
| 08/16/2010 18:30 | US | Total Net TIC Flows                                | JUN    | \$40.0B | \$17.5B |
| 08/16/2010 19:30 | US | NAHB Housing Market Index                          | AUG    | 15      | 14      |
| 08/17/2010 07:30 | CH | Conference Board China June Leading Economic Index | 23-Apr |         |         |
| 08/17/2010 13:30 | EC | ECB Euro-Zone Current Account SA                   | JUN    | --      | -5.8B   |
| 08/17/2010 13:30 | EC | Euro-Zone Current Account nsa                      | JUN    | --      | -16.7B  |
| 08/17/2010 14:30 | EC | ZEW Survey (Econ. Sentiment)                       | AUG    | 9.3     | 10.7    |
| 08/17/2010 14:30 | GE | ZEW Survey (Econ. Sentiment)                       | AUG    | 20      | 21.2    |
| 08/17/2010 14:30 | GE | ZEW Survey (Current Situation)                     | AUG    | 24      | 14.6    |
| 08/17/2010 18:00 | US | Producer Price Index (MoM)                         | JUL    | 0.20%   | -0.50%  |
| 08/17/2010 18:00 | US | PPI Ex Food & Energy (MoM)                         | JUL    | 0.20%   | 0.10%   |
| 08/17/2010 18:00 | US | Producer Price Index (YoY)                         | JUL    | 4.20%   | 2.80%   |
| 08/17/2010 18:00 | US | PPI Ex Food & Energy (YoY)                         | JUL    | 1.30%   | 1.10%   |
| 08/17/2010 18:00 | US | Housing Starts                                     | JUL    | 560K    | 549K    |
| 08/17/2010 18:00 | US | Housing Starts MOM%                                | JUL    | 2.00%   | -5.00%  |
| 08/17/2010 18:00 | US | Building Permits                                   | JUL    | 579K    | 586K    |
| 08/17/2010 18:00 | US | Building Permits MOM%                              | JUL    | -0.70%  | 2.10%   |
| 08/17/2010 18:45 | US | Industrial Production                              | JUL    | 0.50%   | 0.10%   |
| 08/17/2010 18:45 | US | Capacity Utilization                               | JUL    | 74.50%  | 74.10%  |
| 08/18/2010 02:30 | US | ABC Consumer Confidence                            | 15-Aug | --      | -47     |
| 08/18/2010 14:30 | EC | Construction Output SA MoM                         | JUN    | --      | -1.00%  |
| 08/18/2010 14:30 | EC | Construction Output WDA YoY                        | JUN    | --      | -6.30%  |
| 08/18/2010 16:30 | US | MBA Mortgage Applications                          | 13-Aug | --      | 0.60%   |
| 08/19/2010 11:30 | GE | Producer Prices (MoM)                              | JUL    | 0.10%   | 0.60%   |
| 08/19/2010 11:30 | GE | Producer Prices (YoY)                              | JUL    | 3.30%   | 1.70%   |
| 08/19/2010 12:00 | IN | Primary Articles WPI YoY                           | 7-Aug  | --      | 15.66%  |
| 08/19/2010 12:00 | IN | Fuel Power Light WPI YoY                           | 7-Aug  | --      | 12.66%  |
| 08/19/2010 12:00 | IN | Food Articles WPI YoY                              | 7-Aug  | --      | 11.40%  |
| 08/19/2010 18:00 | US | Initial Jobless Claims                             | 14-Aug | 478K    | 484K    |
| 08/19/2010 18:00 | US | Continuing Claims                                  | 7-Aug  | 4465K   | 4452K   |
| 08/19/2010 19:30 | US | Philadelphia Fed.                                  | AUG    | 7       | 5.1     |
| 08/19/2010 19:30 | US | Leading Indicators                                 | JUL    | 0.10%   | -0.20%  |



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