



15 February 2010

INR SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
NSE	Feb2010	46.1000	46.3000	46.6325	46.8600	47.1000	Sideways to lower
MCX-SX	Feb2010	46.1000	46.3000	46.6325	46.8600	47.1000	Sideways to lower

INDICATORS	This Week	1 Week ago	% CHANGE
LIBOR 1Mth	0.2306	0.2284	0.96
LIBOR 3Mth	0.2500	0.2497	0.12
MIBOR 1Mth	0.4200	0.4200	0.00
MIBOR 3Mth	0.6600	0.6600	0.00
U.S. 5Yr Bond Yield	2.3639	2.2333	5.85
U.S. 10Yr Bond Yield	3.7155	3.5654	4.21
India 5Yr Bond Yield	7.6460	7.4790	2.23
India 10Yr Bond Yield	7.8720	7.6720	2.61
Reference Rate	46.4600	46.5600	-0.21
CBLO Rate	2.3200	2.9100	-20.27
Call Rate	3.3000	3.2800	0.61

ASIAN CURRENCY PAIR	This Week	1 Week ago	% CHANGE
Chinese Yuan	6.8338	6.8265	0.11
Hongkong Dollar	7.7697	7.7705	-0.01
Indian Rupee	46.5000	46.7425	-0.52
Indonesian Rupiah	9378.0000	9410.0000	-0.34
Myanmar Ringgit	3.4275	3.4440	-0.48
Philippines Peso	46.2200	46.5620	-0.73
Singapore Dollar	1.4124	1.4223	-0.70
S Korean Won	1156.8500	1169.4500	-1.08
Taiwan Dollar	32.0390	32.0660	-0.08
Thailand Baht	33.1700	33.1600	0.03

Particular (in USD MIO)	This Week	Last Week	% Change
Foreign Current Asset	254175	256362	-0.85
Special Drawing Rights	5082	5124	-0.82
Gold Reserves	18056	18056	0.00
Positions in IMF	1401	1413	-0.85
Total FOREX Reserves	278714	280955	-0.80

REFERENCE RATE	This Week	Last Week	% Change
USDINR	46.4600	46.5600	-0.21
EURINR	64.0200	63.8500	0.27
GBPINR	72.6541	73.2086	-0.76
JPYINR 100	51.6600	51.8900	-0.44

FUNDAMENTAL REVIEW

The partially convertible currency ended the week on slight appreciation after dollar index ends low by 0.61% at 80.10, while the domestic stock market index, **Sensex closes the week up by 2.29%**. Alan Greenspan, Former Fed Chairman; stating economy recovery to slow down the pace a bit; has slightly turned down the rally in dollar.

As per the Central Statistical Organization, the Indian economy, being the Asia's 3rd largest, is expect to expand by 7.2% in the year ending March 31 from a year earlier after growing 6.7% in the last 12 months. **India's industrial output** grew at its fastest Y/Y pace in almost two decades at 16.8% in December, indicates a strong recovery.

The gross market borrowing for 2009-10 came to an end this Friday as government borrowed the remaining 80 billion rupees, reaching its target of raising 4.51 trillion rupees. **In the bond market**, 10-year GOI fell marginally as the investors squared off their holding awaiting the monthly WPI inflation data. These cautionary steps were taken to avoid any negative surprises that could dent market sentiment.

The RBI stated to bring in alterations in the repayment of foreign currency borrowings if the average maturity of such debt is maintained. Moreover, it also stated flexibility in changing the currency of borrowing provided that the new currency being adopted is freely convertible.

The rising risk concerns on the debt problems in a few European countries have caused global participants to pullout funds from stocks of emerging markets and park them in safer investments of developed markets. **This has led to heavy selloffs in the FII as well, remaining net sellers in past 15 sessions.** Moreover, the debt concerns in Euro regions could not be eased out with failing outcomes of the G7 summit.



TECHNICAL SNAPSHOT

The Currency Pair USD/INR traded down by reversing the previous gains and after making a high of 46.8650, closed lower at 46.4000 levels. However, closing of the previous week's candle renders sideways to lower pair movements. Moreover, market is witnessing a stiff resistance at 47.0000 levels sustain below the same likely to push the pair on lower note. However, break above 47.00 may turn the direction to higher side. Closing below the weekly short term (10, 20) EMA also suggesting a downside movements. The momentum indicator RSI (14) weekly is trading at 0.45 levels.

OUTLOOK

- ◆ **Week ahead the important data releases from the US include Empire Manufacturing, Net Long Term Tic Inflows, Housing Starts, Building Permits, Industrial Production, Jobless Claims, Continuing Claims, Leading Indicators.** As per the Bloomberg survey figures, all the major data is pointing towards a better economy outlook and thus push prices forward
- ◆ **The record high borrowing by central government in FY2009-10, of INR4.51 trillion,** raise worries over the coming year borrowing program. The borrowings are expected to increase to provide leverage in finances, further pressurizing the bond supplies in the loosely hold market
- ◆ **The rising economic numbers ignite apprehensions** that the government may take cues from the RBI and start absorbing some of the stimulus measures in the Budget
- ◆ **The monthly WPI is expected at 8.26% for January, above the prior of 7.31%,** concerns monetary policy tightening by Government
- ◆ **Week ahead, we expect rupee to trade in appreciating mode against the dollar. Equities have turned supportive while economic numbers are further providing the boost. FII are likely to retreat once stocks gain momentum. Technically as well, we expect the currency pair USD/INR to trade sideways to lower and recommend selling if pair trades below 47.0000 levels**

CROSS	This Week	1 Week ago	% CHANGE
USDINR	46.5000	46.7425	-0.52
EUROINR	63.4765	63.9151	-0.69
GBPINR	72.7985	73.0800	-0.39
JPY (100)	51.7200	52.3500	-1.20
MYR	13.5667	13.5722	-0.04
SGD	32.9227	32.8658	0.17
ICE DX	80.1000	80.5950	-0.61

INDICES	This Week	1 Week ago	% CHANGE
INR SPOT	46.5000	46.7425	-0.52
MCX-SX	46.5075	46.7800	-0.58
NSE	46.5075	46.7800	-0.58
1 Mth FORWARD	46.4100	46.9120	-1.07
1 Mth NDF	46.4700	46.7900	-0.68
NIFTY	4826.85	4718.65	2.29
SENSEX	16152.59	15790.93	2.29



DOLLAR INDEX

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
Dx Index	Spot Prices ICE	78.5	79.89	80.218	81.5	82	Sideways



TECHNICAL SNAPSHOT

Dollar index traded extremely sideways by reversing the previous gains and after making a high of 80.744 levels it settled at 80.218 levels. Closing of the previous weeks candle resembles “Doji” pattern suggesting an indecisive movements for the coming week. Moreover, market is witnessing a crucial support at 80.066 levels (38.2% retracement of the range 89.669-74.13 levels) sustain above the same likely to push the index on higher note. On the other hand a convincing break below the 80 levels may lead the dollar index to trade down for whole week. The momentum indicator RSI (14) weekly is trading at 0.62 levels and still having a potential to move higher.

OUTLOOK

We expect Dollar index to trade higher only on sustain above 80.066 levels.

Dollar Index Spot	THIS WEEK	LAST WEEK	% CHANGE
OPEN	80.4320	79.4410	1.25
LOW	79.5630	78.6800	1.12
HIGH	80.7480	80.6830	0.08
CLOSE	80.2180	80.4410	-0.28

INDICES	This Week	1 Week ago	% CHANGE
NASDAQ	2177.41	2141.12	1.69
DJIA	10144.19	10012.23	1.32
S/P 500 INDEX	1078.47	1066.19	1.15



EUR / USD- SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
EURO /USD	SPOT	1.3400	1.3550	1.3613	1.3840	1.4040	Sideways

EUR SPOT	THIS WEEK	LAST WEEK	% CHANGE
OPEN	1.3716	1.3864	-1.07
LOW	1.3532	1.3586	-0.40
HIGH	1.3839	1.4026	-1.33
CLOSE	1.3632	1.3678	-0.34

PARTICULARS	THIS WEEK	LAST WEEK	% CHANGE
MXEM EMU INDEX	82.2800	81.3600	1.13
EUR1M BGN Curncy	1.3631	1.3677	-0.34
EUR3M BGN Curncy	1.3630	1.3676	-0.34



OUTLOOK

The euro is trading at the lowest level since May of last year. As Greece's crises continue, investors are pessimistic about the outlook of the euro, which indicates that the downward trend for the euro may continue. **Technically, we expect EURO/USD pair to trade sideways for the coming week.**

FUNDAMENTAL REVIEW

- ◆ The European currency fell to a new 8 ½ -months low amid concerns that the financial troubles of Greece and other nearing members of the European Union may withhold growth in the region. It ended the week with 5-consecutive loss
- ◆ The much anticipated EU summit yielded few details in the bailout plan, worrying investors over debt concerns. Greek credit default swaps for 5 and 10- year sovereign debt continue to widen as do the default swaps for Spain, Portugal, Italy, and Ireland
- ◆ Euro-zone economic growth fell short of market forecasts in 4Q. A minimal 0.1% advance against prior of 0.4% rose doubts about prospects for 2010. The real GDP shrank by 2.1 % Y/Y following a 4.0% annual contraction in 3Q
- ◆ The industrial production collapsed 1.7% in January, a much worse outcome than expected, even allowing for a positive revision to November (1.4% from 1.0%). The December slump left an annual shortfall of some 5.0%

TECHNICAL SNAPSHOT

The Spot currency pair EURO/USD traded on negative note by extending the preceding trend and settled lower at \$1.3613 levels. Overall pair declined as much as 5% from a recent high of \$1.4582 and currently trading at 1.3613 levels. However, pair witnessed a 61.8 % (\$1.3488) retracement of the rise \$1.5152-\$1.2460 only on break below the same may possible to sustain on lower note. Moreover, pair is expected to move in the band of \$1.3806-\$1.3488 levels in the near term. The momentum indicator RSI (14) weekly is trading at 0.32 levels and still having a potential to move down.



GBP/USD- SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
GBP/USD	SPOT	1.5300	1.5540	1.5702	1.5850	1.6000	Sideways to lower

GBP SPOT	THIS WEEK	LAST WEEK	% CHANGE
OPEN	1.5650	1.5951	-1.89
LOW	1.5536	1.5559	-0.15
HIGH	1.5765	1.6069	-1.89
CLOSE	1.5701	1.5641	0.38

PARTICULARS	THIS WEEK	LAST WEEK	% CHANGE
FTSE 100 INDX	5142.450	5060.920	1.611
DAX INDEX	5500.390	5434.340	1.215
GBP1M BGN Curncy	1.570	1.607	-2.291
GBP3M BGN Curncy	1.569	1.563	0.384



OUTLOOK

The government keeping silence to comment on, whether the Bank will expand its quantitative easing purchase program by resuming bond and asset purchases, would check the currency gains. **Technically we expect GBP/USD to trade lower and recommend selling at higher levels for the coming week.**

FUNDAMENTAL REVIEW

- ◆ The **Cable** rose marginally against the dollar with strengthening statement from the BOE despite of weak economic numbers
- ◆ The January CPI was unrevised in the final data. Hence, consumer prices fell 0.6% from December to nudge the 12-month inflation rate a tick lower at 0.8%
- ◆ The merchandise trade narrowed but less than expected for December 2009. At Euro 16.7 Billion, net exports were down just Euro 0.3 Billion, from a slightly smaller revised November level
- ◆ The 4Q real GDP was lowered to 0.10% from its 3Q level. With the previous period's growth unrevised at 0.7%, this left the level of total output of goods and services still some 2.2% lower than 2008
- ◆ BoE Governor King reported economic growth has decelerated from November 2009 but said Q4 GDP numbers could be upwardly revised. On the inflation front, the central bank said it could move above 3% this year and would moderate within two years

TECHNICAL SNAPSHOT

The spot currency pair GBP/USD traded on higher note by revering the previous week's trend and after making a high of \$1.5765 it settled at \$1.5702 levels. However, market is witnessing a stiff resistance at \$1.5710 levels sustain below the same expected to resume its prevailing trend. On the lower side support is at \$1.5500 levels on break below likely to extend its drop till \$1.5300 levels. Nevertheless, a bearish trend is still in progress until the resistance \$1.5800 holds. The momentum indicator RSI (14) weekly is trading at 0.41 levels and showing a lower potential.



USD/JPY-SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
USD/JPY	SPOT	87	88	89.99	90.27	93	Sell at 90.5-91 TP 88.4 SL 92.5

JPY SPOT	THIS WEEK	LAST WEEK	% CHANGE
OPEN	89.4400	89.9600	-0.58
LOW	89.1500	88.5600	0.67
HIGH	90.4100	91.2800	-0.95
CLOSE	89.9600	89.2500	0.80

PARTICULARS	THIS WEEK	LAST WEEK	% CHANGE
NIKKE INDEX	10099.46	10057.09	0.42
JPY1M BGN Curncy	89.95	89.24	0.80
JPY3M BGN Curncy	0.00	0.00	0.00

FUNDAMENTAL REVIEW

- ◆ The **Japanese yen** depreciated by 0.80% against the dollar as dollar index rallied above 80 levels
- ◆ Moreover the debt concerns in Euro-nations has turned down the hopes in the market and forced investors to park funds in dollar, taking it to be the safest bet
- ◆ January corporate goods price index dropped 2.1% for its 13th straight drop on the year. The index was up 0.3% on the month
- ◆ Japanese buying foreign stocks fell to -32.4 billion Yuan for week ending 5 Feb., as compares to prior of 906.4 billion Yuan
- ◆ The foreigners buying Japanese stocks rose considerably from -32.9 billion Yuan to 65 billion Yuan, indicates higher participation
- ◆ The Japanese consumer confidence for the January month rose to 39.4 against 37.9 a month before. This suggests market participants have good hold in Japanese economy and thus look forward for sustained economic growth



OUTLOOK

The Japanese yen performance is more likely dependent on the debt crisis issue being resolved in euro nations. If the concerns prevail yen might be included in safe haven investment avenue beating Euro else it might weigh down by economic pressure. **Technically we expect USD/JPY to trade in the band of 92-88.50 levels in the near term**

TECHNICAL SNAPSHOT

The spot currency pair USD/JPY traded marginally sideways to higher and after making a high of 90.43 it settled at 89.99 levels. However, market is withholding the stiff resistance at 92 levels sustain below the same may push the pair on lower note. Only a significant break above the 92 may reverse the trend. Trading below the weekly short term (10, 20) EMA suggesting a downside movements in the near term. Closing of the previous week's candle renders sideways movements. The crucial support is at 88.50 levels sustain above the same likely to move sideways.



Economic data releases

Date	Time	Region	Event	Period	Survey	Prior
02/15/2010	12:10	IN	Monthly Wholesale Prices YoY%	JAN	8.26%	--
02/16/2010	12:30	EC	EU 25 New Car Registrations	JAN	--	16.40%
02/16/2010	15:30	EC	ZEW Survey (Econ. Sentiment)	FEB	41.5	46.4
02/16/2010	19:00	US	Empire Manufacturing	FEB	18	15.92
02/16/2010	19:30	US	Net Long-term TIC Flows	DEC	\$50.0B	\$126.8B
02/16/2010	19:30	US	Total Net TIC Flows	DEC	\$50.0B	\$26.6B
02/17/2010	15:30	EC	Euro-Zone Trade Balance	DEC	5.0B	4.8B
02/17/2010	15:30	EC	Euro-Zone Trade Balance sa	DEC	3.9B	3.9B
02/17/2010	19:00	US	Housing Starts	JAN	580K	557K
02/17/2010	19:00	US	Building Permits	JAN	615K	653K
02/17/2010	19:00	US	Housing Starts MOM%	JAN	4.10%	-4.00%
02/17/2010	19:00	US	Building Permits MOM%	JAN	-5.80%	10.90%
02/17/2010	19:45	US	Industrial Production	JAN	0.80%	0.60%
02/17/2010	19:45	US	Capacity Utilization	JAN	72.60%	72.00%
02/18/2010	00:30	US	Minutes of FOMC Meeting	18-Feb		
02/18/2010	00:30	US	Monthly Budget Statement	JAN	-\$46.0B	-\$63.5B
02/18/2010	12:00	IN	Primary Articles WPI YoY	6-Feb	--	15.75%
02/18/2010	12:00	IN	Fuel Power Light WPI YoY	6-Feb	--	10.44%
02/18/2010	15:30	EC	Euro-Zone Consumer Confidence	FEB A	-16	-16
02/18/2010	19:00	US	Producer Price Index (MoM)	JAN	0.80%	0.20%
02/18/2010	19:00	US	Initial Jobless Claims	14-Feb	430K	440K
02/18/2010	19:00	US	Continuing Claims	7-Feb	4500K	4538K
02/18/2010	20:30	US	Philadelphia Fed.	FEB	17	15.2
02/18/2010	20:30	US	Leading Indicators	JAN	0.50%	1.10%
02/19/2010	14:30	EC	PMI Services	FEB A	52.5	52.5
02/19/2010	14:30	EC	PMI Manufacturing	FEB A	52.7	52.4
02/19/2010	14:30	EC	PMI Composite	FEB A	53.5	53.7
02/19/2010	19:00	US	Consumer Price Index (MoM)	JAN	0.30%	0.10%



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