



INR

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
NSE	June 2010	45.9800	46.4800	46.9375	47.4500	47.94000	Buy at 46.7 TP 47.60 SL 46.35
MCX-SX	June 2010	45.9800	46.4800	46.9375	47.4500	47.94000	Buy at 46.7 TP 47.60 SL 46.35

INDICATORS	This Week	1 Week ago	% CHANGE
LIBOR 1Mth	0.3500	0.3513	-0.36
LIBOR 3Mth	0.5366	0.5363	0.06
MIBOR 1Mth	0.4300	0.4300	0.00
MIBOR 3Mth	0.7100	0.7000	1.43
U.S. 5Yr Bond Yield	1.9826	2.0919	-5.22
U.S. 10Yr Bond Yield	3.2023	3.2922	-2.73
India 5Yr Bond Yield	7.4000	7.3940	0.08
India 10Yr Bond Yield	7.5670	7.5780	-0.15
Reference Rate	46.6700	46.5400	0.28
CBLO Rate	4.2300	3.9000	8.46
Call Rate	5.2800	4.1300	27.85

ASIAN CURRENCY PAIR	This Week	1 Week ago	% CHANGE
Chinese Yuan	6.8288	6.8315	-0.04
Hongkong Dollar	7.7949	7.7878	0.09
Indian Rupee	46.8450	46.3550	1.06
Indonesian Rupiah	9190.00	9210.00	-0.22
Myanmar Ringgit	3.2750	3.2930	-0.55
Philippines Peso	46.3000	46.1240	0.38
Singapore Dollar	1.4133	1.4051	0.58
S Korean Won	1201.80	1194.60	0.60
Taiwan Dollar	32.1890	31.9600	0.72
Thailand Baht	32.6700	32.5600	0.34

Particular (in USD MIO)	This Week	Last Week	% Change
Foreign Current Asset	247263	248637	-0.55
Special Drawing Rights	4861	4877	-0.33
Gold Reserves	18537	18537	0.00
Positions in IMF	1309	1313	-0.30
Total FOREX Reserves	271970	273364	-0.51

REFERENCE RATE	This Week	Last Week	% Change
USDINR	46.6700	46.5400	0.28
EURINR	56.8500	57.3800	-0.92
GBPINR	68.3365	71.0467	-3.81
JPYINR 100	50.3600	51.0500	-1.35

FUNDAMENTAL REVIEW

The Indian rupee showcased a jittery session in the past week, depreciating in the first half while recouped some losses in the later half of the week—however to end at net losses of 1.06%. Sensex lost close to 2.20% in the first half while recovered to end at 1.51% net gains in the week as the Korean War issues cool off. Moreover, the GDP rate and import-export figures also gave a modest support.

Foreign fund inflows are the main drivers of the Indian rupee, and further investments in the stocks affects the rupee as well. However, the market is not eyeing any significant dollar flows because of tight euro conditions disturbing risk appetite globally. The foreigners have withdrawn US \$2 billion from the share market In the May month, bringing down net inflows in 2010 to US \$4.6 billion. However, FII's made net inflows of US \$17.5 billion in 2009.

The GDP rose by 8.60% in the Q1-2010 after a revised 6.50% growth in the Q4-2009. This was the fastest pace in the last six-months led by increased consumer spending, growing industrial production and steady FII inflows. However, this higher growth has added pressure on the apex bank to raise the key bank interest rates even when the entire world is facing the heat of Euro-zone's sovereign-debt crunch.

The government's figures stated that India's budget deficit was 99.6% of its 4.14 trillion rupee target in the last financial year of 2009-10. Adding on to it, the trade deficit was estimated at \$10.42 during FY10-11, higher than the \$6.65 billion deficit during the last financial year.

The Euro fell to four-year low against the Greenback as the budget deficits cuts by the government would derail economic recovery.



TECHNICAL SNAPSHOT

The Indian rupee traded higher in the last week by reversing the previous week's losses and after making a high of 47.2700 it settled at 46.8600 levels. Market is still holding its bullish view supported by key levels to watch is at 45.7600 levels. However, if market sustain above the 45.7600 levels possible to extend its gains for this week. On the higher side resistance is at 47.7400 levels on breach and sustain above the same confirm uptrend. Trading above the weekly short term (10, 20) and medium term (50) suggesting higher side movements to be continue. The indicator analysis (RSI -14 weekly is at 0.58 and showing a higher potential) also suggesting market to trade higher foe coming week.

OUTLOOK

- ◆ *The stock market is hovering in tight range since the last one month as the FII are pulling out funds—blown by risk aversion. Exiting FII funds raises concerns for recovery in Sensex and also determine rupee fortunes*
- ◆ *India is due to release the Industrial Production figures for April month, where the prior months increase was at 13.50%. The pace of growth is decelerating as April growth is off the December highs of 17.10%*
- ◆ *Moody Services are of the view that government might re-work on the monetary policy even before July looking into the heavy volatility seen in the currency value in the recent period*
- ◆ *The Greenback is on a free ride—on one hand supported by improving economic data releases while a safer bet amid global turmoil on the other*
- ◆ *Week ahead, Rupee is expecting some more beating by the dollar. Food inflation is not easing as expected on normal onset of monsoon that might weigh on the WPI or inflation. Moreover, steady crude oil prices in last 2 weeks would also burden the import payments— pressurizing dollar premiums. The rising global issues are cutting down the investments in riskier economies and diverting funds towards safer avenues like dollar and Gold*
- ◆ ***Technically speaking, we expect rupee to trade higher and recommend buying***

CROSS	This Week	1 Week ago	% CHANGE
USDINR	46.8450	46.3550	1.06
EUROINR	56.3633	56.8570	-0.87
GBPINR	68.0479	67.0374	1.51
JPY (100)	51.2100	50.9000	0.61
MYR	14.3038	14.0768	1.61
SGD	33.1459	32.9870	0.48
Dollar Index	80.3620	86.4800	-7.07

INDICES	This Week	1 Week ago	% CHANGE
INR SPOT	46.8450	46.3550	1.06
MCX-SX	47.0325	46.5425	1.05
NSE	47.0900	46.5400	1.18
1 Mth FORWARD	47.4450	46.7750	1.43
1 Mth NDF	46.8700	46.5600	0.67
NIFTY	5135.50	5066.55	1.36
SENSEX	17117.69	16863.06	1.51



DOLLAR INDEX

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
Dollar Index	SPOT	86.34	87.40	88.233	89.60	90.24	Buy at 87.60 TP 89.4 SL 86.5



TECHNICAL SNAPSHOT

Dollar index witnessed a sharp rally in the last week by extending the previous gains and after making a high of 88.340 it settled at 88.233 levels. Overall it gained as much as 2.25% from the previous close. Going by the weekly chart analysis market has breached the trend channel and trading above the same suggests index to gain further in short term. However, on the lower side crucial supports are at 87.40 then 86.30 levels sustain above these levels possible to support the dollar index to move higher. Market is likely to see a mild lower correction before resuming its uptrend. The momentum indicator RSI (14) weekly is trading at 0.81 levels and suggests a mild lower correction.

OUTLOOK

We expect dollar index to trade higher after a mild lower correction and recommend buying near support levels.

Dollar Index Spot	THIS WEEK	LAST WEEK	% CHANGE
OPEN	86.7390	85.6320	1.29
LOW	86.1580	85.6190	0.63
HIGH	88.3400	87.4520	1.02
CLOSE	88.2330	86.4800	2.03

INDICES	This Week	1 Week ago	% CHANGE
NASDAQ	2219.17	2257.04	-1.68
DJIA	9931.97	10136.63	-2.02
S/P 500 INDEX	1064.88	1089.41	-2.25



EUR / USD- SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
EURO /USD	SPOT	1.1730	1.1810	1.1967	1.2100	1.2370	Sell at 1.2080 TP 1.1760 SL 1.220

EUR SPOT	THIS WEEK	LAST WEEK	% CHANGE
OPEN	1.2267	1.2544	-2.21
LOW	1.1956	1.2154	-1.63
HIGH	1.2353	1.2587	-1.86
CLOSE	1.1967	1.2273	-2.49

PARTICULARS	THIS WEEK	LAST WEEK	% CHANGE
MXEM EMU INDEX	80.1600	81.5200	-1.67
EUR1M BGN Curncy	1.1970	1.2277	-2.50
EUR3M BGN Curncy	1.1978	1.2286	-2.51



FUNDAMENTAL REVIEW

- ◆ The **European** currency weakened to 1.19 levels as the Greenback gained for the second consecutive week, putting pressure on the second most acceptable currency
- ◆ Economic sentiment at 98.4 fell sharply than expected in May--2 points down on an unrevised April level
- ◆ The HICP estimate, better known as inflation at 1.6%, was only 0.1%age points faster than its April pace and even slightly weaker than market expectations. Nonetheless, May still saw a 17-month high
- ◆ Producer prices excluding construction were on the firm side in April, rising a stronger than expected 0.9% on the month to lift annual PPI growth from 0.9% to 2.8%
- ◆ Retail sales were surprisingly soft in April with 1.2% from March, their steepest decline in 18 months and their 3rd contraction so far in 2010
- ◆ The jobless rate increased to 10.1% in April, the highest rate since June 1998

TECHNICAL SNAPSHOT

The spot EURO continued its downtrend by extending the previous week's losses and after making a low of \$1.1953 it settled at \$1.1969 levels. Overall it declined as much as 3% from previous close. Market is likely to see a mild higher correction before resuming its downtrend. However, on the higher side resistance is at \$1.2140 (Previous month low) levels sustain below the same possible to extend lower correction. Indicator analysis (RSI -14 weekly is at 0.20 levels) suggests that market is trading in oversold zone and likely to see a bounce back. In daily chart the formation of "**Descending triangle**" pattern and market has given downhill breakout suggests currency to remain under pressure for this week.

OUTLOOK

Euro appears to be continuing the losses it has been experiencing since the Greek debt crisis began a few months back. Given the decision to put forth a financial bailout for struggling economies in the region, many would expect the Euro to be in a corrective posture. Technically, we expect EURO to trade lower and recommend selling at higher levels.



GBP/USD- SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
GBP/USD	SPOT	1.4000	1.4220	1.4454	1.4780	1.5050	Sell at 1.4530 TP 1.4100 SL 1.4770

GBP SPOT	THIS WEEK	LAST WEEK	% CHANGE
OPEN	1.4464	1.4468	-0.03
LOW	1.4375	1.4260	0.81
HIGH	1.4771	1.4611	1.10
CLOSE	1.4454	1.4458	-0.03

PARTICULARS	THIS WEEK	LAST WEEK	% CHANGE
FTSE 100 INDX	5126.00	5188.43	-1.203
DAX INDEX	5938.88	5946.18	-0.123
GBP1M BGN Currency	1.445	1.461	-1.083
GBP3M BGN Currency	1.446	1.446	-0.035



FUNDAMENTAL REVIEW

- ◆ The **British pound** stayed firm against the dollar and the low-yielding yen as the appetite for risk increased with the optimism over an improving global economy
- ◆ The seasonally adjusted Retail sales matched market expectations in April with 1.0% advance over their March level. With March's 1.6% decline unrevised, the unadjusted annual growth remain weak at -3.1%
- ◆ Joblessness fell a surprisingly large 45,000 in May, reducing the unemployment rate from 7.8% in April to 7.7%. The latest decline meant some 152,000 has now been shaved off the jobless count over the last 3 months
- ◆ Expectations that the UK Prudential's merger with AIG's Asian life insurance business was headed for collapse drove the pound into a 2 week high against the dollar and a 4 month high vs. a basket of currency

TECHNICAL SNAPSHOT

The sterling initially traded higher and it made a weekly high of \$1.4769 levels later due to market instability to sustain at higher levels made currency to settled lower at \$1.4460 levels. Market retested the breakout level at \$1.4780 and trading below the same suggesting further fall. The immediate support is at \$1.4230 levels on breach and sustain below the same expected to extend its drop till \$1.4110 then \$1.4000 levels. The momentum indicator RSI (14) weekly is trading at 0.31 levels and still having the potential to move lower. Overall, we expect GBP to trade in the band of \$1.4780-\$1.4230 levels. Either side break out would confirm the trend.

OUTLOOK

The pound sterling has a better picture in place the inherent fundamental factors providing crucial support. Week ahead, Pound is expected to outperform the 16-nations single currency. Technically we expect Pound to be range bound. Either side break out would confirm the trend.



USD/JPY-SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
USD/JPY	SPOT	88.8	90.5	91.90	93	94.30	Sell at 92.5 TP 90 SL 93.5

JPY SPOT	THIS WEEK	LAST WEEK	% CHANGE
OPEN	91.1000	90.1000	1.11
LOW	90.5400	89.2700	1.42
HIGH	92.8900	91.4100	1.62
CLOSE	91.9000	91.0600	0.92

PARTICULARS	THIS WEEK	LAST WEEK	% CHANGE
NIKKEI INDEX	9962.42	9762.98	2.04
JPY1M BGN Curncy	91.86	91.02	0.92
JPY3M BGN Curncy	0.00	0.00	0.00



OUTLOOK

The Japanese Yen could drop further as accepted by the government officials and the political instability to continue till a new Prime Minister is appointed. **Technically we expect yen to trade sideways to lower and recommend selling at higher levels.**

FUNDAMENTAL REVIEW

- ◆ The *Japanese yen* weakened due to the political issues hovering in the market along with the safer image soon to fade away
- ◆ Political instability looms over Japan as Prime Minister Yukio Hatoyama resigned in the last week—dragging the currency to 2 week low
- ◆ The Prime Minister's, potential successor, Finance Minister Naoto Kan had said in the past that he preferred a weaker yen
- ◆ Additionally, increasing demand for higher risk currencies such as the Australian dollar had a negative impact on the demand for the low-yielding yen
- ◆ The yen has been favored for its safe haven reputation, but investors are concerned that Japan's political instability will weigh down the currency. We expect the Yen to continue its recent decline, while return of risk aversion returns came make Yen resurgent again

TECHNICAL SNAPSHOT

The spot Yen traded higher in the last week by extending the previous gains and after making a high of 92.89 it settled at 91.91 levels. Market is in consolidation phase for the past four week's and expected to continue the same trend for this week. However, on the higher side stiff resistance is at 94.2 levels sustain below the same likely to resume its downtrend. Although market posted a higher closing last week but closing below the weekly short term (10, 20) EMA suggesting yen to remain under pressure. The momentum indicator RSI (14) weekly is trading at 0.51 levels and suggesting a neutral view.



ECONOMIC DATA RELEASES

Date	Time	Region	Event	Period	Survey	Prior
06/07/2010	15:30	GE	Factory Orders MoM (sa)	APR	-0.40%	5.00%
06/08/2010	00:30	US	Consumer Credit	APR	-\$2.0B	\$2.0B
06/08/2010	11:30	GE	Trade Balance	APR	15.0B	17.2B
06/08/2010	11:30	GE	Imports SA (MoM)	APR	-3.00%	11.00%
06/08/2010	11:30	GE	Exports SA (MoM)	APR	-2.00%	10.70%
06/08/2010	15:30	GE	Industrial Production MoM (sa)	APR	0.70%	4.00%
06/08/2010	15:30	GE	Industrial Prod. YoY (nsa wda)	APR	12.40%	8.60%
06/09/2010	02:30	US	ABC Consumer Confidence	6-Jun	--	-44
06/09/2010	19:30	US	Wholesale Inventories	APR	0.50%	0.40%
06/10/2010		CH	Trade Balance (USD)	MAY	\$8.20B	\$1.68B
06/10/2010		CH	Exports YoY%	MAY	32.00%	30.50%
06/10/2010		CH	Imports YoY%	MAY	44.40%	49.70%
06/10/2010	11:30	GE	Consumer Price Index (MoM)	MAY F	0.10%	0.10%
06/10/2010	12:00	IN	Primary Articles WPI YoY	29-May	--	16.89%
06/10/2010	12:00	IN	Fuel Power Light WPI YoY	29-May	--	14.14%
06/10/2010	17:15	EC	ECB Announces Interest Rates	10-Jun	1.00%	1.00%
06/10/2010	18:00	US	Trade Balance	APR	-\$41.0B	-\$40.4B
06/10/2010	18:00	US	Initial Jobless Claims	5-Jun	448K	453K
06/10/2010	18:00	US	Continuing Claims	29-May	4620K	4666K
06/10/2010	23:30	US	Monthly Budget Statement	MAY	-\$140.0B	--
06/11/2010	07:30	CH	Producer Price Index (YoY)	MAY	6.70%	6.80%
06/11/2010	07:30	CH	Consumer Price Index (YoY)	MAY	3.00%	2.80%
06/11/2010	07:30	CH	Retail Sales (YoY)	MAY	18.60%	18.50%
06/11/2010	07:30	CH	Industrial Production (YoY)	MAY	17.00%	17.80%
06/11/2010		IN	Industrial Production YoY	APR	--	13.50%
06/11/2010	18:00	US	Advance Retail Sales	MAY	0.20%	0.40%
06/11/2010	19:25	US	U. of Michigan Confidence	JUN P	74.6	73.6
06/11/2010	19:30	US	Business Inventories	APR	0.50%	0.40%



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