Currency Weekly

KARVY STOCKBROKING LIMITED

A Weekly Comprehensive Report on Currency

30 August 2010

INR

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
NSE	Sep 2010	46.3500	46.9000	47.0950	47.3400	47.7400	Buy at 46.90 TP 47.56 SL 46.60
MCX-SX	Sep 2010	46.3500	46.9000	47.0950	47.3400	47.7400	Buy at 46.90 TP 47.56 SL 46.60

INDICATORS	LAST	1 week ago	% Change
LIBOR 1Mth	0.2594	0.2644	-1.89
LIBOR 3Mth	0.2969	0.3292	-9.82
MIBOR 1Mth	0.6300	0.6300	0.00
MIBOR 3Mth	0.8900	0.8900	0.00
U.S. 5Yr Bond Yield	1.4908	1.4537	2.55
U.S. 10Yr Bond Yield	2.6447	2.6106	1.31
India 5Yr Bond Yield	7.7240	7.6780	0.60
India 10Yr Bond Yield	8.0370	7.9320	1.32
Reference rate	46.8600	46.5800	0.60
CBLO rate	4.1283	5.6227	-26.58
Call Rate	4.6500	5.7200	-18.71

ASIAN/INR	LAST	1 week ago	% Change
Indian rupee	46.8875	46.6750	0.46
Chinese Yuan	6.8970	6.8740	0.33
Hongkong Dollar	6.0280	6.0040	0.40
Indonesian Rupiah	0.5200	0.5202	-0.04
Myanmar Ringgit	14.9086	14.8765	0.22
Philipinnes Peso	1.0373	1.0356	0.16
Singapore Dollar	34.6528	34.4173	0.68
S Korean Won	0.3918	0.3945	-0.69
Taiwan Dollar	1.4651	1.4625	0.18
Thailand Baht	1.4969	1.4806	1.10

Pair	LAST	1 week ago	% Change
USDINR	46.86	46.58	0.60
GBPINR	72.67	68.72	5.75
JPYINR 100	55.31	54.58	1.34
EURINR	59.59	59.66	-0.12

Foreign Reserves	LAST	1 week ago	% Change
Foreign Current Asset	256369.00	256591.00	-0.09
Special Drawing Rights	4971.00	4985.00	-0.28
Gold Reserves	19278.00	19278.00	0.00
Total FOREX Reserves	282549.00	282791.00	-0.09

FUNDAMENTAL REVIEW: The Indian rupee traded on mixed note and closed on depreciating note. Global market volatility made Indian rupee to trade in a narrow range during the week. It opened at 46.7825 levels on Monday and settled at 46.8875 levels down by 0.46% on Friday.

During this week, Indian equity market fell tracking weak global sentiment and uncertainty in US and Europe equity market. Moreover, on Friday, the Sensex plunged nearly 230 points ahead of key economic data from US and domestic equity futures settlement date. On the other side, RBI's concern regarding inflation also made investor sentiment weak on Thursday. Thus, faltering global economic recovery, changes in direct tax code and selling pressure led the Sensex to fall by 2.2% W/W. Poor economic indicators and Greece sovereign debt crisis pressurized the EURO during the week. The dollar index dropped 0.2% W/W ahead of Fed's annual economic conference at Jackson Hole, Wyoming.

Foreign inflows are the key indicator for rupee movement. So far during the year 2010, rupee inflow increased nearly $12.7 billion compared to $17.5 billion in 2009, Increase in inflow helped rupee to appreciate against dollar. But, inconsistency in capital inflow not supported rupee to appreciate much. Overall, global factors such as BOJ intervention issue, Greece sovereign debt concern, month-end dollar demand by importers and weak domestic market moved domestic currency.

TECHNICAL SNAPSHOT:

The Indian rupee was seen trading higher last week by extending its previous week's trend. Initial bias remains upside for this week. The market is witnessing immediate resistance at 47.03 levels (Previous week's high) on breach and sustains above is likely to test 47.30 then 47.74 levels. Supporting to the above factor other resistance is at the 47.141 levels (trend line and Fibonacci). Only on break above this level is possible to extend its gains. Incase sustains below the same can witness sideways movements. Trading above the weekly short term and medium term EMA suggests market to remain higher. The momentum indicator RSI (14) weekly ended at 0.55 levels and showing a higher potential.

OUTLOOK

- *Week ahead, the host of new data releases from the US includes personal income and spending, consumer confidence, ISM manufacturing, Jobless claims, Non-farm pay rolls and Unemployment rate data shows mixed impact on dollar. Moreover, in conference Bernake stated that central bank has necessary tools to prevent the US economy to downwards and falling into deflation. If economic data and market shows weakness further then there are chances of stimulus to boost the investor sentiment which will be reflationary step by Bernake. It would make the dollar weaker in near terms.*
- *Moreover, FOMC meet, ECB interest rate announcements and Japan's further action towards yen strengthening would be the key events during the week. On the other side, dollar demands and volatility in domestic market may appreciate dollar during first two days of the week. But later, on supportive side expectation of capital inflows, positive quarterly (INDIA) GDP data and mixed economic data of US may weigh on greenback.*
- *Last week, dollar weakened against major counterparts while in India importers month end dollar demand and weak domestic indices made rupee to depreciate. Overall, we are expecting rupee to close on appreciate note as expectation of capital inflows, demand for dollar as safer haven assets may drop due to expectation of further weakness seems in US economy.*

Technically, we expect rupee to trade sideways to higher.

CROSS	LAST	1 week ago	% Change
USDINR	46.89	46.68	0.46
EUROINR	59.76	59.25	0.86
GBPINR	72.81	72.50	0.43
JPY (100) Futures	55.02	54.51	0.94
MYR	14.91	14.88	0.22
SGD	34.65	34.42	0.68

CROSS	LAST	1 week ago	% Change
INR SPOT	46.89	46.68	0.46
MCX-SX Futures	47.10	46.94	0.34
NSE Futures	47.10	46.94	0.34
1 Month NDF	47.02	46.89	0.28
1 Month FORWA	47.08	46.89	0.41
NIFTY	5408.70	5530.65	-2.20
SENSEX	17998.41	18401.82	-2.19

DOLLAR INDEX

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
Dollar Index	SPOT	81.57	82.25	82.823	83.32	84.100	Sideways

TECHNICAL SNAPSHOT:

Dollar index witnessed extremely sideways movements in last week. After making a high of 83.559 it settled (82.918) near to its opening levels. Closing of the previous week candle resembles ***"Doji"*** pattern suggests indecisive movements for this week. As per the Fibonacci principle market is witnessing a stiff resistance at 83.365 levels (38.2% retracement of the range 88.719-80.056 levels). On the lower side key level to watch is at 82.101 levels sustain above is expected to resume its uptrend. The momentum indicator RSI (14) weekly ended at 0.51 levels and suggesting neutral view.

OUTLOOK

We expect dollar index is likely to remain lower if it fails to sustain above 83.365 levels..

CROSS	LAST	1 week ago	% Change
NASDAQ	2153.63	2179.76	-1.20
DJIA	10150.65	10213.62	-0.62
S/P 500 INDEX	1064.59	1071.69	-0.66

EUR / USD- SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
EURO /USD	SPOT	1.2410	1.2630	12764	1.2913	1.3100	Sideways to higher bias

Particulars	This week	Last week	% change
MSCI Europe	82.20	82.59	-0.47%
Euro 1-Month	1.2762	1.2711	0.40%
Euro 3-Month	1.2761	1.2709	0.41%

OUTLOOK

Week ahead, the Euro movement may depend on economic data releases. Spain and Portugal bond sales and ECB rate announcement may have a major impact on the market. Moreover, ECB member can not convince the people that how they will avoid default, debt burden and they are also undecided to implement austerity or stimulus. Moreover; European countries are facing uneven recovery which pressurized the euro continuously. Thus, in next week euro may likely to move in tandem with US and EUROPE data. Overall, we are expecting Euro to depreciate against dollar. **Technically, we expect Euro to trade higher for this week.**

FUNDAMENTAL REVIEW: Weaker economic data released from US led the euro to strengthen last week. Moreover, investors slightly shifted from dollar as fragile economic recovery of US. Euro opened at $1.2713 made high of $1.2779 and settled at $1.2763. On the other side, if we compare the EUROPE and US the short term problems in US are more serious than Europe. Second, sovereign crisis in Europe are for small countries compared to US fiscal deficit. Third, depreciation in Euro has boosted the export business in Germany.

- During this week, S&P investor's services downgraded the Ireland's debt credit ratings which will pressurize euro against major counter parts and mainly against Dollar and YEN. Thus, increase in Ireland and Greece debt concern touched the euro to week low at $1.2588. Next week, ECB's interest rate announcement is the major event which will decide the further monetary policy and economic outlook. Moreover, currently highest confusion among governments, about how to heal national and global economies. Thus, there is still confusion in European economy to which path to choose austerity or stimulus. While Trichet favored the austerity measure but if it applied then government spending cuts which will reduce GDP and tax revenues.

TECHNICAL SNAPSHOT:

Euro traded higher in last week by reversing the previous week's trend. Initially it made a weekly low of 1.2584 thereafter it took reversal and settled higher at 1.2767 levels. Market is finding a crucial support level at 1.2573 levels (23.6% projection of the range 1.5144-1.1875 levels). Sustained trade above is likely to remain higher for this week. Although, market traded higher in last week but trading below the weekly short term and medium term EMA suggests downside pressure is still intact. On the higher side resistance is at 1.2923 levels sustain below is possible to limit the gains. However, our view remains upside for short term as long as it holds the support at 1.2573 levels.

GBP/USD- SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
GBP/USD	SPOT	1.5150	1.5375	1.5534	1.5640	1.5740	Sideways to higher

CROSS	LAST	1 week ago	% Change
FTSE 100 INDEX	5201.56	5195.28	0.12
DAX INDEX	5951.17	6005.16	-0.90
GBP1M BGN CURNCY	1.55	1.55	-0.03
GBP3M BGN CURNCY	1.55	1.55	-0.03

OUTLOOK: England inflation remains above 2% which pressurized to hike in interest rate but on the other side Martin Weale member of MPC warns that it's too early to start which put pressure on BOE for next step. Thus, (1) Euro debt concern, (2) MPC member speaks; (3) Mixed economic data would make GBP to volatile. We are expecting GBP to close on marginally higher or flat note. ***Technically, we expect pound to trade sideways to higher.***

FUNDAMENTAL REVIEW

- The **British pound** gained against the dollar as economic indicators turn supportive along with uncertainty in US economy and weakness in dollar. During the week sterling opened at \$1.5525 made low of \$1.5619 and settled at \$1.5329 levels on flat note.
- The British Pound was under pressure after Martin member of BOE monetary policy warned that British economy runs on the risk of slipping into double dip recession which increased the government bonds demand.
- On positive side, GDP increased by 1.2 per cent in the second quarter of 2010, revised up from 1.1 per cent. GDP in the second quarter of 2010 is now 1.7 per cent higher than the second quarter of 2009.

TECHNICAL SNAPSHOT:

The sterling initially traded down by extending its previous trend. After making a low of 1.5370 levels it took bounce back and settled at 1.5520 levels. Closing of the previous week candle renders sideways to higher bias. Supporting to above factor moving average principle also suggests upside movements, since the market has settled above both weekly short term and medium term EMA. On the higher side resistance is at 1.5688 levels on break above is possible to extend its gains till 1.5826 levels. Incase market fails to breach the resistance at 1.5688 levels is expected to trade sideways for this week. Overall, we expect pound to trade sideways to higher.

USD/JPY-SPOT

Exchange	Contract	S 2	S1	Close	R 1	R2	Recommendation
USD/JPY	SPOT	82.70	84.60	85.36	86.30	88	Sell below 84.6 TP 83 SL 86

CROSS	LAST	1 week ago	% Change
NIKKIE INDEX	8991.06	9179.38	-2.05
JPY1M BGN CURNCY	85.20	85.60	-0.47
JPY3M BGN CURNCY	85.13	85.54	-0.47

OUTLOOK: As we expect correction in JPY last week, but market has not taking BOJ intervention threat seriously. Moreover, Japan is trying to make the currency weak but it will not be easy as Europe and US are also trying to weak their currency and increase the exports which will appreciate Yen further. Moreover, higher current account balance and large offshore assets of Japan attract investors as safer haven assets Overall, we are expecting yen to remain in narrow range due to BOJ intervention but later it may strengthen against dollar as safer haven assets. **Technically, we expect yen to trade sideways to higher and recommend buying on break of 85.70 levels.**

FUNDAMENTAL REVIEW

- The ***Japanese yen*** closed on depreciate note at the end of the week. It touched week high of 83.60 hit the 15 year high against greenback, while it touched 9 year high against Euro of 106.35 yen. During the week, investor sentiment remained more volatile for Japanese yen on speculation of BOJ intervention. Moreover, continuously negative data from US made the dollar weak globally and increased the demand for Yen. While, decrease in consumer confidence and lower than expected household spending demonstrated that Japanese economy recovery is on slower pace.
- Continuously appreciation in Yen hurt the exporters which put pressure on government to take prompt actions against currency strengthening. Moreover, Japan exports and trade balance were stronger than expected in July despite of currency appreciation according to data released on Wednesday. The reason behind for increase in trade surplus was rise in shipments to China. Moreover, only sole intervention for currencies would not help much to weak the yen but government also need to monetary easing for curbing the appreciation. Thus, it may consider easing policy in next review meet in Sept. 6

TECHNICAL SNAPSHOT:

The Japanese yen initially traded lower and after making a low of 83.57 it settled at 85.24 levels. Closing of the previous week candle resembles ***"Hammer"*** pattern suggests upside movements for this week. On the higher side resistance is at 85.70 levels (trend line) on break above is possible to extend its gains till 87 levels. As per the moving average principle market is traded far away from the EMA and expected to decline the distance between the both. The momentum indicator RSI (14) weekly ended at 0.35 levels and is likely to bounce back. On the lower side key level to watch is at 83.57 levels sustain above is likely to remain higher for short term.

ECONOMIC DATA RELEASES

Date Time		Event		Survey	Prior
08/28/2010 14:30	GE	IFO Aug. Business Climate Survey by Industry (Table)	31-Aug		
08/30/2010 14:30	EC	Business Climate Indicator	AUG	0.7	0.66
08/30/2010 14:30	EC	Euro-Zone Indust. Confidence	AUG	-4	-4
08/30/2010 14:30	EC	Euro-Zone Consumer Confidence	AUG F	-12	-12
08/30/2010 14:30	EC	Euro-Zone Economic Confidence	AUG	101.6	101.3
08/30/2010 14:30	EC	Euro-zone Services Confidence	AUG	6	6
08/30/2010 18:00	US	Personal Income	JUL	0.30%	0.00%
08/30/2010 18:00	US	Personal Spending	JUL	0.30%	0.00%
08/30/2010 18:00	US	PCE Deflator (YoY)	JUL	1.50%	1.40%
08/30/2010 18:00	US	PCE Core (MoM)	JUL	0.10%	0.00%
08/30/2010 18:00	US	PCE Core (YoY)	JUL	1.40%	1.40%
08/30/2010 20:00	US	Dallas Fed Manf. Activity	AUG	-16.00%	-21.00%
08/31/2010	IN	Qtrly GDP YoY%	2Q	8.80%	8.60%
08/31/2010 13:25	GE	Unemployment Change (000's)	AUG	-20K	-20K
08/31/2010 13:25	GE	Unemployment Rate (s.a)	AUG	7.60%	7.60%
08/31/2010 14:30	EC	Euro-Zone CPI Estimate (YoY)	AUG	1.60%	1.70%
08/31/2010 14:30	EC	Euro-Zone Unemployment Rate	JUL	10.00%	10.00%
08/31/2010 18:30	US	S&P/CaseShiller Home Price Ind	JUN	- -	146.43
08/31/2010 18:30	US	S&P/CS 20 City MoM% SA	JUN	0.20%	0.47%
08/31/2010 18:30	US	S&P/CS Composite-20 YoY	JUN	3.60%	4.61%
08/31/2010 18:30	US	S&P/Case-Shiller US HPI	2Q	- -	131.8
08/31/2010 18:30	US	S&P/Case-Shiller US HPI YOY%	2Q	- -	2.00%
08/31/2010 19:15	US	Chicago Purchasing Manager	AUG	57	62.3
08/31/2010 19:30	US	Consumer Confidence	AUG	50.9	50.4
08/31/2010 19:30	US	NAPM-Milwaukee	AUG	62	66
08/31/2010 23:30	US	Minutes of FOMC Meeting	31-Aug		
09/01/2010 01:45	US	Bloomberg FCI Monthly	AUG	- -	- -
09/01/2010 02:30	US	ABC Consumer Confidence	29-Aug	- -	-44
09/01/2010 06:30	CH	PMI Manufacturing	AUG	51.5	51.2
09/01/2010 08:00	CH	HSBC Manufacturing PMI	AUG	- -	49.4
09/01/2010 10:30	IN	India August Markit Manufacturing PMI (Table)	23-Apr		
09/01/2010 11:30	GE	Retail Sales (MoM)	JUL	0.50%	-0.90%
09/01/2010 11:30	GE	Retail Sales (YoY)	JUL	1.20%	3.10%
09/01/2010 13:25	GE	PMI Manufacturing	AUG F	58.2	58.2
09/01/2010 13:30	EC	PMI Manufacturing	AUG F	55	- -
09/01/2010	IN	Exports YoY%	JUL	- -	30.40%
09/01/2010	IN	Imports YoY%	JUL	- -	23.00%
09/01/2010 16:30	US	MBA Mortgage Applications	27-Aug	- -	4.90%
09/01/2010 17:00	US	Challenger Job Cuts YoY	AUG	- -	-57.20%
09/01/2010 17:45	US	ADP Employment Change	AUG	17K	42K
09/01/2010 19:30	US	ISM Manufacturing	AUG	52.8	55.5
09/01/2010 19:30	US	ISM Prices Paid	AUG	55.3	57.5

Date Time		Event		Survey	Prior
09/01/2010 19:30	US	Construction Spending MoM	JUL	-0.50%	0.10%
09/02/2010 02:30	US	Domestic Vehicle Sales	AUG	8.85M	9.11M
09/02/2010 02:30	US	Total Vehicle Sales	AUG	11.60M	11.85M
09/02/2010 14:30	EC	Euro-Zone Gross Fix Cap (QoQ)	2Q P	- -	-1.20%
09/02/2010 14:30	EC	Euro-Zone Govt Expend (QoQ)	2Q P	- -	0.20%
09/02/2010 14:30	EC	Euro-Zone Household Cons (QoQ)	2Q P	0.20%	-0.10%
09/02/2010 14:30	EC	Euro-Zone PPI (MoM)	JUL	0.30%	0.30%
09/02/2010 14:30	EC	Euro-Zone PPI (YoY)	JUL	4.00%	3.00%
09/02/2010 14:30	EC	Euro-Zone GDP s.a. (QoQ)	2Q P	1.00%	1.00%
09/02/2010 14:30	EC	Euro-Zone GDP s.a. (YoY)	2Q P	1.70%	1.70%
09/02/2010 17:15	EC	ECB Announces Interest Rates	2-Sep	1.00%	1.00%
09/02/2010 18:00	US	Nonfarm Productivity	2Q F	-1.90%	-0.90%
09/02/2010 18:00	US	Unit Labor Costs	2Q F	1.20%	0.20%
09/02/2010 18:00	US	Initial Jobless Claims	28-Aug	475K	473K
09/02/2010 18:00	US	Continuing Claims	21-Aug	4430K	4456K
09/02/2010 19:30	US	Factory Orders	JUL	0.40%	-1.20%
09/02/2010 19:30	US	Pending Home Sales MoM	JUL	-1.00%	-2.60%
09/02/2010 19:30	US	Pending Home Sales YoY	JUL	- -	-20.10%
09/02/2010 20:00	US	ICSC Chain Store Sales YoY	AUG	- -	2.80%
09/03/2010 06:30	CH	China Non-manufacturing PMI	AUG	- -	60.1
09/03/2010 08:00	CH	China HSBC Services PMI	AUG	- -	56.3
09/03/2010 10:30	IN	India August Markit Services PMI (Table)	23-Apr		
09/03/2010 12:00	IN	Food Articles WPI YoY	21-Aug	- -	10.05%
09/03/2010 12:00	IN	Fuel Power Light WPI YoY	21-Aug	- -	12.57%
09/03/2010 12:00	IN	Primary Articles WPI YoY	21-Aug	- -	14.75%
09/03/2010 13:25	GE	PMI Services	AUG F	58.5	- -
09/03/2010 13:30	EC	PMI Services	AUG F	55.6	- -
09/03/2010 13:30	EC	PMI Composite	AUG F	56.1	- -
09/03/2010 14:30	EC	Euro-Zone Retail Sales (YoY)	JUL	0.60%	0.40%
09/03/2010 14:30	EC	Euro-Zone Retail Sales (MoM)	JUL	0.20%	0.00%
09/03/2010 18:00	US	Change in Nonfarm Payrolls	AUG	-100K	-131K
09/03/2010 18:00	US	Change in Private Payrolls	AUG	47K	71K
09/03/2010 18:00	US	Change in Manufact. Payrolls	AUG	10K	36K
09/03/2010 18:00	US	Unemployment Rate	AUG	9.60%	9.50%
09/03/2010 18:00	US	Avg Hourly Earning MOM All Emp	AUG	0.10%	0.20%
09/03/2010 18:00	US	Avg Hourly Earning YOY All Emp	AUG	1.60%	1.80%
09/03/2010 18:00	US	Avg Weekly Hours All Employees	AUG	34.2	34.2
09/03/2010 19:30	US	ISM Non-Manf. Composite	AUG	53.2	54.3

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