



Global economic review

Economic performance:

The past week was marred by high volatility panning across all the asset classes. The week was filled with important economic data and major rate decisions. The RBI increased its Repo and Reverse Repo rates by 50 bps, on the other hand The BOE and the ECB kept their rates unchanged. The ECB chairman failed to confirm if there would be any more rate hikes in the coming months which led the investors to dump the Euro in favor of USD. The Euro fell by 3.18 percent on a weekly basis. The Equity markets weren't far behind as they also ended the week on losses. The Economic data from the US also wasn't on a supportive note. The Dow Jones fell 1.3%, the S&P 500 fell 1.7%, and the Nasdaq Composite lost 1.6% on a weekly basis. The European markets also saw losses by the end of the week. The Asian currencies majorly ended on depreciating note. Silver and Oil were the biggest weekly losers with Oil falling 15% and Silver falling 25% the biggest weekly fall in its history.

Major events:

- Silver and Oil were the biggest weekly losers
- Euro losses most against USD; after ECB keeps rates unchanged
- Major Global Equity markets posted Weekly losses
- Dollar Index rises more than 3% on a weekly basis

CROSS	LAST	1 week ago	% Change
USDINR	44.80	44.22	1.30
EUROINR	65.06	65.75	-1.05
GBPINR	73.31	73.87	-0.77
JPY (100) Futures	55.56	54.45	2.04
MYR	14.90	14.93	-0.24
SGD	36.15	36.12	0.08
DOLLAR INDEX	74.84	72.93	2.62

INDICES	LAST	1 week ago	% Change
NIFTY	5551.45	5749.50	-3.44
SENSEX	18518.81	19135.96	-3.23
NASDAQ	2827.56	2873.54	-1.60
DOW JONES INDUSTRIAL	12638.74	12810.54	-1.34
SHANGHAI COMPOSITE	2863.89	2911.51	-1.64
NIKKIE 225	9859.20	#N/A N/A	#VALUE!
HANGSENG	23159.14	23720.81	-2.37
FTSE Index	5976.77	#N/A N/A	#VALUE!

Dollar Index

Currency	S2	S1	Close	R1	R2	Recommendation
Dollar Index	73.4000	74.2100	74.8400	75.0800	75.6100	BUY 74.18 TP 75.60 SL 73.40

TECHNICAL SNAPSHOT: The dollar index closed the week on bullish note at 74.84 levels. Initially during the week it witnessed a low of 72.69 and then witnessed the high of the week on the last day of the trading session at 74.92 levels. In doing so the dollar has managed to close much higher above the short term moving average mainly the 20 day exponential moving average 74.21 suggesting that the dollar has reversed from its earlier downtrend and a new short term uptrend is in place. As a result of it breaching the aforementioned level led to such a massive buying in the greenback. Based on the Fibonacci principle the dollar index has breached past the 61.8% retracement level of 74.6300 of the swing range (75.81-72.72). Sustaining above which could continue to trade higher and test the next level of 76.4% retracement which is at 75.08 levels. The pivotal point for the week is at 74.15 levels which could act as a strong support on any pullback from the current levels. Sustaining above the same the dollar is expected to trade with a positive bias. Support is at 74.15 and then 73.40 levels. Resistance is at 75.08 and then 75.61 levels.

We could expect the dollar to trade in a range of 74.20-75.60 levels for the week and recommend buying at support levels





USD/INR

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
USDINR – MCX-SX	May-11	44.50	44.80	44.99	45.21	45.40	BUY 44.90 TP 45.35 SL 44.70
USDINR – NSE	May-11	44.51	44.81	45.00	45.22	45.41	BUY 44.91 TP 45.36 SL 44.70

The Week Ahead:

- USD continued gain to make rupee depreciate
- Weaker Equity markets to depreciate the rupee further
- Economic data from US to decide further trend

Fundamental Review

The rupee declined to a one month low, and ended at its lowest level for the week. This fall can be attributed to the weaker domestic equity markets and the greenbacks rise globally. The RBI surprised everyone and raised its Repo and Reverse Repo rates by 50bps, this spooked the Equity markets as higher borrowing costs would erode the earning capacity of corporates. We saw the FII's and DII's dump the Indian equities through out the week. This was evident as the S&P Nifty fell by 3.44 percent on a weekly basis to finally close at 5551. The rupee also responded accordingly as it depreciated for the week by 1.3 percent to finally end at 44.78. The government bond yields ended higher after trading in a narrow band, 50 bps increase in key rates by the central bank led the gain. The yield on the 7.8%, 2021 bond and the 8.08%, 2022 bond both ended up 22 basis points each at 8.29% and 8.45%, respectively

The one-month onshore forward premium was at 26 points versus 25.50 points at its previous close. The three-month was steady at 78 points and the one-year was at 299.25 points compared with 305 points.

The one-month offshore non-deliverable forward contracts were quoted at 45.08, weaker than the onshore spot rate. In the currency futures market, the most traded near-month dollar-rupee contracts on the National Stock Exchange, the MCX-SX and the United Stock Exchange were at 45.00, 44.99, and 44.98, respectively, with total volume at \$9.51 billion

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	44.4750	45.0900	44.4750	44.9900	1.17%	18044847	107.21%	3484213	40.09%
Jun-11	44.8150	45.9300	44.7825	45.2675	1.17%	444432	70.15%	550719	28.58%
Jul-11	45.0350	45.5850	45.0350	45.5050	1.08%	60365	100.45%	103709	30.96%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	44.5775	45.0975	44.5025	45.0000	1.21%	16630342	93.23%	1010927	13.67%
Jun-11	44.8100	45.3375	44.7800	45.2600	1.17%	715958	52.11%	244379	26.85%
Jul-11	45.0000	45.5800	44.9200	45.4925	1.08%	126157	177.23%	81932	47.56%

Outlook

The past week saw the rupee close with a weekly loss of 1.36 percent. The dollar's gain against major currencies along with weaker domestic equity markets fuelled the rupee's loss. On the Economic data front in the US; the monthly budget deficit however is likely to broaden but at a much slower pace. CPI is expected to come down as producers' price and import price index is likely to ease a bit. Data from the UK in terms of industrial production and manufacturing production are seem to improve while the bank of England's inflation report will be keenly watched. On the other hand Germany's Q1 GDP may fair than the prior.

Looking at how the past week has faired for the whole global economy, we can expect the rupee to follow the trend and is likely to depreciate further. The Greenback's gain against all the major currencies can put further pressure on the rupee. The rise has been vertical in the greenback so in the latter part of the week we can expect it to part away with some gains which might limit the rupee's loss.



No Major Economic data for week ahead

TECHNICAL SNAPSHOT

The rupee closed the week largely higher at 44.7850 levels to gain by more than 1.3% over the week gone by. In this week it witnessed an intraday high of 44.9000 and a low of 44.27 levels. On the daily chart the rupee has clearly seen a breakout out of its down sloping channel. Hence indicating the possibility of a further up move from the current levels. The most important thing being that the rupee has managed to close much higher above the 20 day exponential moving average level of 44.51 on the daily chart which clearly suggest the short term trend is on the upside .Hence any pullback could be utilized as an opportunity to buy targeting higher levels. Based on the Fibonacci principle the pair this week had retraced closer to the 50% retracement level of the swing range (46.01-43.88) which is at 44.96 which could act as a resistance in the short term .However a break of which could propel the pair to test the next retracement level which is the 61.8% retracement currently at 45.21. The pivotal point for the week is at 44.65 levels which could act as strong support for the rupee this week as the current price of the rupee is currently trading much higher from the pivotal point .However a break below the pivotal point it could find support at 44.40 levels. Resistance is at 44.96 and then 45.21 levels



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OUTLOOK: - We could expect the rupee to trade in a range of 44.65-45.21 levels for the week and recommend buying near the support levels.



EUR/USD

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
EURUSD	SPOT	1.4080	1.4155	1.4313	1.4529	1.4726	SELL 1.4500 TP 1.4190 SL 1.4650
EURINR – MCX-SX	May-11	64.2200	64.8800	65.3225	65.7000	66.1400	SELL 65.72 TP 64.88/64.54 SL 66
EURINR – NSE	May-11	64.2200	64.8800	65.3225	65.7000	66.1400	SELL 65.72 TP 64.88/64.54 SL66

The Week Ahead:

- Euro to continue decline against USD
- Focus on Greece and their decision to leave the Euro
- Strong Economic data from Euro zone and Germany could limit Euro's loss

Fundamental Review

In the past week we saw heavy fluctuations, the Euro ended with a heavy weekly loss. The ECB has kept its benchmark rates unchanged at 1.25 percent. Jean-Claude Trichet, ECB chairman said that the chances of more rate hikes might be less in the coming months. This news wasn't taken well by the investors as they went on a selling spree on the Euro. The fall was furthered helped by the news that Greece might consider leaving the Euro. The Greece news was later denied by the Greek government. The Euro fell to an eight month low. On a weekly basis the Euro lost 3.18 % against the USD to finally close at 1.4335.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	65.8800	66.7075	65.1975	65.3225	-1.03%	521690	41.88%	386822	19.86%
Jun-11	66.1725	67.0550	65.5300	65.6550	-0.97%	58864	215.32%	96167	172.10%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	65.7475	67.0125	65.1975	65.3225	-1.06%	390504	45.99%	62698	85.80%
Jun-11	66.1350	67.0450	65.5325	65.6625	-0.96%	38419	111.91%	18385	103.66%

Outlook

After falling to eight month lows we can expect the Euro to continue its downtrend as the news of Greece leaving the EU are hitting the markets. This news could further lead the euro to decline. On the Economic data front, most of the data relating to Current A/c and Trade balance are expected to come in positive. Germany's GDP QoQ is also expected to rise. This could lend some support to the Euro.

We expect the Euro to trade lower range against most of the currencies in the coming week. But as it has already has vertical fall there could be a bounce back in the Euro, fuelled by the better economic data. The volatility is expected to rise in the coming week

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
05/09/2011 11:30	GE	Exports SA (MoM)	MAR	1.10%	2.70%
05/09/2011 11:30	GE	Imports SA (MoM)	MAR	0.80%	3.70%
05/09/2011 11:30	GE	Current Account (EURO)	MAR	14.0B	8.9B
05/09/2011 11:30	GE	Trade Balance	MAR	14.4B	12.1B
05/09/2011 14:00	EC	Sentix Investor Confidence	MAY	15	14.2



05/11/2011 11:30	GE	Consumer Price Index (MoM)	APR F	0.20%	0.20%
05/11/2011 11:30	GE	Consumer Price Index (YoY)	APR F	2.40%	2.40%
05/11/2011 11:30	GE	Wholesale Price Index (MoM)	APR	--	1.30%

Technical analysis The Euro closed the week significantly lower at 1.4313 levels. It declined by over 3.1%. During the initial half of the week the Euro traded in a range but could not sustain higher levels. Hence after breaching the support at 1.4750 it fell tremendously to breach most of the short term moving averages. It fell below the 20 day exponential moving average at 1.4556 levels suggesting that the Euro has lost its ground from the prevailing uptrend. In doing so the Euro has breached the trend line on the weekly chart connecting from 2011/01/09 to 2011/01/05. (Range 1.2870-1.4940). However the Euro is currently trading near the 50 day exponential moving average (1.4300) which could act as an interim support after a large fall from its highs of 1.4940 levels. It also trades near the trend line support on the weekly chart which is also closer to 1.4300 levels. Hence a higher pullback from the current levels could be expected.

The pivotal point for the week is at 1.4529 which could act as a strong resistance for the Euro as it trades much below the pivotal points. Support is at 1.4280 and then 1.4190 levels. Resistance is at 1.4520 and then 1.4726 levels.

OUTLOOK: We could expect the Euro to trade in a range of 1.4280-1.4530 levels for the week and recommend selling at resistance levels.





GBP/USD

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
GBPINR – MCX-SX	May-11	73.10	73.55	73.8350	74.15	74.50	SIDWAYS RANGE 73.50-74.00
GBPINR – NSE	May-11	73.08	73.53	73.8225	74.13	74.48	SIDWAYS RANGE 73.50-74.00
GBPUSD	SPOT	1.6100	1.6240	1.6365	1.6485	1.6730	SELL 1.6533 TP 1.6240 SL 1.660

Fundamental Review

In the past week the Great Britain pound weakened after the Bank of England left its target rate unchanged, suggesting that the UK economy is still unprepared to leave accommodative monetary policy. The BOE maintained its Bank Rate at 0.5%, the last change in the key rate was on 5 March 2009, when the bank decreased the rate by 50 basis points. The pound lost on this news as investors decided to park their funds in higher yielding assets. The pound lost by 2.01 % against the USD WoW; to finally close at 1.6365

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	73.9600	74.5000	73.5550	73.8350	-0.33%	82806	18.61%	36886	4.28%
Jun-11	73.9375	74.7500	73.7900	74.2000	0.34%	6558	1014.56%	6040	75.22%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	74.2000	74.3725	73.5600	73.8225	-0.31%	79713	35.70%	8923	-36.79%
Jun-11	73.7500	74.7500	73.7500	74.1825	-0.35%	3860	184.03%	1072	26.86%
Jul-11	75.0000	75.0975	74.3500	74.3500	0.20%	120	118.18%	124	-24.85%

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
05/12/2011 14:00	UK	Industrial Production (MoM)	MAR	0.80%	-1.20%
05/12/2011 14:00	UK	Manufacturing Production (MoM)	MAR	0.30%	0.00%

Outlook

Data belonging to the UK will probably be in positive form; this can help the GBP to cap its losses against the USD in the coming week. We expect the GBB to remain negative in the beginning of the week as the negative trend is likely to continue; but to the latter part of the week we can see it being in a range as better economic data from the UK could limit these losses.



Technical analysis:- The pound closed the week on a bearish note at 1.6365 levels to decline by more than 2.0% over the prior week.

During the week it tested a high of 1.6737 and then a low of 1.6352 levels during the last day of the week to finally settle closer to low's of the week. The weekly candlestick depicts a long red marubozu suggesting that the domination of the bears which could take it further lower from the current levels. The pound has breached its earlier uptrend as it has broken below its 20 day exponential moving average level of 1.6437 levels. Also sustaining below the same for two consecutive days has confirmed the short term downtrend. Hence such a selling pressure was seen. On the daily chart the pound is back to the trend trading channel. The upper end of the channel being 1.6533 and the lower end being 1.6090 levels. Based on the Fibonacci principle the pair has retraced 50% level of the swing range (1.5931-1.6745). Breaching below the recent low could find support at 1.6240 levels. The pivotal point for the week is at 1.6485 levels. Sustaining below which could continue to trade lower with supports at 1.6240 and then 1.6100. Resistance is at 1.6485/1.6533 and then 1.6730 levels.



OUTLOOK:- We could expect the pound to trade in a range of 1.6533-1.6240 levels for the week and recommend selling at resistance levels



USD/JPY

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
JPYINR - MCX-SX	May-11	55.0000	55.3200	55.9800	56.4300	56.7600	SIDEWAYS
JPYINR - NSE	May-11	55.0000	55.3200	55.9850	56.4400	54.7700	SIDEWAYS
USD/JPY	SPOT	78.4400	79.5500	80.5700	81.6000	82.4000	SIDEWAYS

The Week Ahead:

- Higher Crude oil prices to hurt YEN
- Higher Bond Yields to attract investors

Fundamental Review

The USD/JPY has fallen nearly 6% since the April highs as the yen continued its advance this week. As traders piled into the Japanese currency, concerns of a possible intervention have investors once again eyeing the BoJ. This week, the yen advanced to levels not seen since March 18th when the USD/JPY hit record lows below 77. Strength in the currency has been supported by weakness in the dollar, which has been on the defensive since the Fed's re-commitment to keep interest rates at 0.25%. The Yen appreciated by 0.64 % against the USD to give a close at 80.57.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	54.5650	56.4375	54.5600	55.9800	2.44%	45598	85.31%	31936	47.00%
Jun-11	55.0500	56.7075	54.8725	56.2975	2.46%	6323	815.05%	8400	266.17%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	54.7500	57.5675	54.5650	55.9850	2.44%	59101	80.58%	14435	77.16%
Jun-11	55.4900	56.6700	55.4125	56.5000	2.40%	97	51.56%	3673	1291.29%
Jul-11	55.4900	56.6700	55.4125	56.5000	2.40%	97	51.56%	2.176470588	217.65%

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
05/12/2011 05:20	JN	Trade Balance - BOP Basis	MAR	¥305.0B	¥723.3B

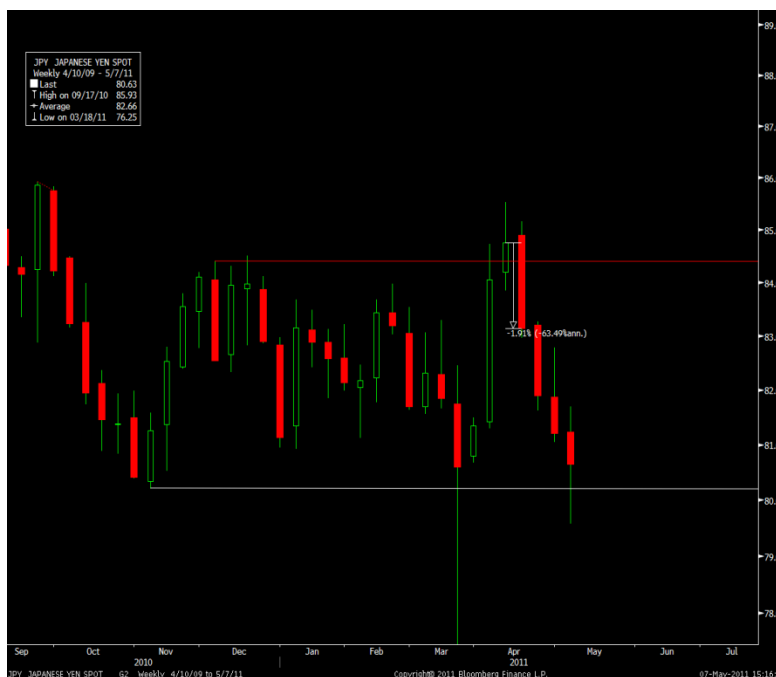
Outlook

We remain neutral on the USD/JPY for the coming week as anymore appreciation could see the BOJ intervening. However if sovereign debt concerns continue to mount next week, risk aversion flows could continue to prop the yen, sending the USD/JPY pair lower. On the Economic data front the Japanese Trade balance is expected to come in lower which might keep the gain under check. So overall we are neutral on the Yen.

NO Major Economic data for week ahead



Technical analysis The yen continued its existing downtrend to close lower for the fourth consecutive week at 80.57 levels. During the week it tested a high of 81.69 and then during the penultimate day of the week in a swift intraday selloff tested a low of 79.54 levels. However on the weekly chart the yen has managed to close above the trading band and has closed just near the support line which is clearly depicted on the chart. Hence if it manages to trade above the support level 80.50 could possibly see a higher pullback .The yen continues to find stiff resistance near the 20 day exponential moving average level which is currently at 81.72 levels which is also the trend deciding level. Sustaining below which it could continue to trade lower and possibly make new lows. The pivotal point for the week is at 80.60 levels which could act as a critical level for the week as it also is the trading band support for the yen at the moment .Sustaining above that level could propel the yen to test resistances at 81.65 and then possibly 82.75 levels. Support on a break of 80.50 is at 79.55 and then 78.44 levels



OUTLOOK:- We could expect the yen to trade in a range 80-81.90 levels for the week and recommend selling at higher levels.

Major economic events for the week

05/07/2011 00:30	US	Consumer Credit	MAR	\$5.000B	\$7.617B
05/09/2011 11:30	GE	Exports SA (MoM)	MAR	1.10%	2.70%
05/09/2011 11:30	GE	Imports SA (MoM)	MAR	0.80%	3.70%
05/09/2011 11:30	GE	Current Account (EURO)	MAR	14.0B	8.9B
05/09/2011 11:30	GE	Trade Balance	MAR	14.4B	12.1B
05/09/2011 14:00	EC	Sentix Investor Confidence	MAY	15	14.2



05/10/2011 07:30	CH	Trade Balance (USD)	APR	\$3.20B	\$0.14B
05/10/2011 07:30	CH	Exports YoY%	APR	29.50%	35.80%
05/10/2011 07:30	CH	Imports YoY%	APR	28.90%	27.30%
05/10/2011 18:00	US	Import Price Index (MoM)	APR	1.80%	2.70%
05/10/2011 19:30	US	Wholesale Inventories	MAR	1.00%	1.00%
05/11/2011 07:30	CH	Consumer Price Index (YoY)	APR	5.20%	5.40%
05/11/2011 07:30	CH	Producer Price Index (YoY)	APR	7.00%	7.30%
05/11/2011 07:30	CH	Industrial Production (YoY)	APR	14.60%	14.80%
05/11/2011 07:30	CH	Retail Sales (YoY)	APR	17.60%	17.40%
05/11/2011 11:30	GE	Consumer Price Index (MoM)	APR F	0.20%	0.20%
05/11/2011 11:30	GE	Consumer Price Index (YoY)	APR F	2.40%	2.40%
05/11/2011 11:30	GE	Wholesale Price Index (MoM)	APR	--	1.30%
05/11/2011 11:30	GE	Wholesale price Index (YoY)	APR	--	10.90%
05/11/2011 15:00	UK	Bank of England Inflation Report			
05/11/2011 18:00	US	Trade Balance	MAR	-\$47.0B	-\$45.8B
05/11/2011 23:30	US	Monthly Budget Statement	APR	-\$62.30	\$188.2B
05/12/2011	JN	Trade Balance - BOP Basis	MAR	¥305.0B	¥723.3B



05:20					
05/12/2011 13:30	EC	ECB Publishes May Monthly Report			
05/12/2011 14:00	UK	Industrial Production (MoM)	MAR	0.80%	-1.20%
05/12/2011 14:00	UK	Manufacturing Production (MoM)	MAR	0.30%	0.00%
05/12/2011 14:30	EC	Euro-Zone Ind. Prod. sa (MoM)	MAR	0.30%	0.40%
05/12/2011 18:00	US	Initial Jobless Claims	7-May	428K	474K
05/12/2011 18:00	US	Continuing Claims	30-Apr	3698K	3733K
05/12/2011 18:00	US	Producer Price Index (MoM)	APR	0.60%	0.70%
05/12/2011 18:00	US	Producer Price Index (YoY)	APR	6.50%	5.80%
05/12/2011 18:00	US	Advance Retail Sales	APR	0.60%	0.40%
05/12/2011 19:30	US	Business Inventories	MAR	0.90%	0.50%
05/13/2011 11:30	GE	GDP s.a. (QQQ)	1Q P	0.90%	0.40%
05/13/2011 18:00	US	Consumer Price Index (MoM)	APR	0.40%	0.50%
05/13/2011 18:00	US	Consumer Price Index (YoY)	APR	3.10%	2.70%
05/13/2011 19:25	US	U. of Michigan Confidence	MAY P	70	69.8
05/07/2011 00:30	US	Consumer Credit	MAR	\$5.000B	\$7.617B
05/09/2011 11:30	GE	Exports SA (MoM)	MAR	1.10%	2.70%



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