Global economic review

Economic performance:

The past week saw major global equity markets finish with losses. The S&P 500 lost 0.2 percent to 1,337.77 including the biggest one-day decline since March. The Dow Jones Industrial Average fell 42.99 points, 12,595.75. The Asian stocks also ended the week with losses. Banking stocks were the biggest losers among the region as China raised its Reserve Ratio again by 50 bps. This was the fifth such raise in a year by China. Japan's Nikkei 225 Stock Average fell 2.1 percent. South Korea's Kopi index dropped 1.3 percent. Asian currencies were not far behind as they also ended the week with losses, the fall was lead by the Indian rupee and the Korean Won. The Korean government has kept is benchmark rates unchanged which led the decline. The Singapore dollar lost 0.4 percent for the week.

CROSS	LAST	1 Day ago	% Change
USDINR Spot	44.87	44.80	0.16
MCX-SX Futures	44.98	44.94	0.09
NSE Futures	44.98	45.00	-0.04
EURO Futures	64.21	65.28	-1.64
GBP Futures	73.17	73.80	-0.85
JPY (100) Futures	55.70	55.96	-0.46
ICE Dollar Index	75.71	74.84	1.16

INDICES	LAST	1 week ago	% Change
NIFTY	5544.75	5551.45	-0.12
SENSEX	18531.28	18518.81	0.07
NASDAQ	2828.47	2827.56	0.03
DOW JONES INDUSTRIAL	12595.75	12638.74	-0.34
SHANGHAI COMPOSITE	2871.03	2863.89	0.25
NIKKIE 225	9648.77	9859.20	-2.13
HANGSENG	23276.27	23159.14	0.51
FTSE Index	5925.87	5976.77	-0.85

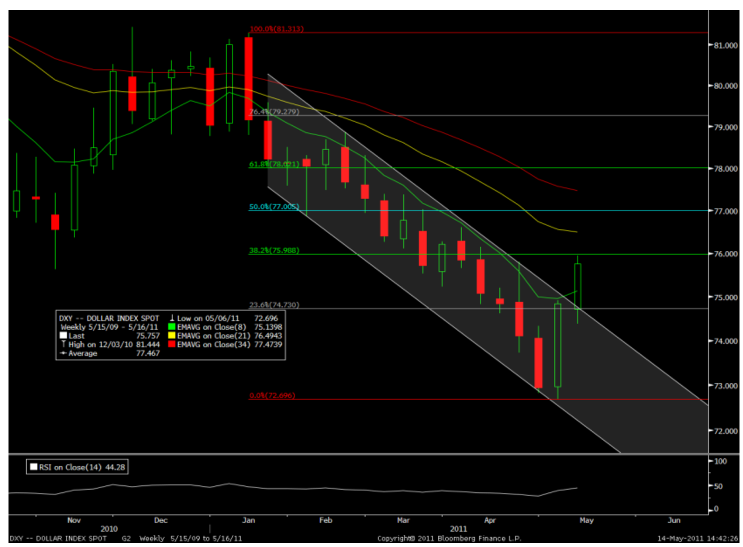
Major events:

- China raises Reserve Ratio for fifth time in a year
- Euro losses most against USD; after Greek woes worsen
- Major Global Equity markets posted Weekly losses

Dollar Index

Currency	S2	S1	Close	R1	R2	Recommendation
Dollar Index	73.823	74.787	75.7500	76.327	76.903	BUY 75.20-40 TP 76.00-77 SL 74.30

TECHNICAL SNAPSHOT:



The dollar index traded higher on last week by continuing the previous trend. It made a low of 74.40 then high of 75.94 levels before settling higher at 75.75 levels. Closing of the candle renders upside movements for the coming week. Prices have made a Trend Channel break out on the higher side suggesting the prices to trade on the higher side. Prices have breached the resistance at 75.63 levels (previous swing lows). On sustained trade above is likely to remain higher. The principle of Fibonacci retracement states that prices are witnessing resistance at 75.98 levels which is 38.2% retracement of the range 81.31-72.69 levels. On breach and sustained trade above is likely to trade further highs. The momentum Indicator RSI 14 Weekly is treading at 0.452 levels and suggesting higher potential for the coming week.

Outlook: We expect prices to trade higher and recommend buying at support levels.

USD/INR

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
USDINR – MCX-SX	May-11	44.53	44.75	44.98	45.21	45.40	BUY 44.85 TP 45.35 SL 44.70
USDINR – NSE	May-11	44.51	44.74	44.9750	45.22	45.41	BUY 44.85 TP 45.36 SL 44.70

The Week Ahead:

- USD continued gain to make rupee depreciate
- Weaker Equity markets to depreciate the rupee further
- FOMC meet to decide further trend of USD

Fundamental Review

The rupee declined to seven week 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 Euro's fall was also a major contributor for the rupee's fall as the euro also ended at a six week low against the USD. The Euro has seen a continuous slide ever since the news surfacing about the Greek Debt crisis. The local shares also ended the week on the negative side; which also added the pressure on rupee. The S&P Nifty fell by 0.12 percent on a weekly basis to finally close at 5544. The rupee depreciated for the week by 0.16 percent to finally end at 44.86. The government bond yields ended higher after trading in a narrow band. Inflows related to India's state-run Power Finance Corporation's Ltd's share sale did little to aid the local unit. The company's up to $1 billion share sale was fully covered by afternoon on Thursday, the third day of the offer.

The one-month onshore forward premium was at 25.25 points versus 26.25 points last close. The three-month was at 77.25 points against 82.50 points and the one-year was at 290.25 points compared with 305 points. The one-month offshore non-deliverable forward contracts were quoted at 45.27, 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 45.1300, 45.1250 and 45.1300 with total volume at $11.02 billion

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	44.9200	45.1650	44.7400	44.9775	0.08%	17568774	-2.64%	3586295	2.93%
Jun-11	45.1700	45.4100	45.0525	45.2350	0.05%	466161	4.89%	702753	27.61%
Jul-11	45.3200	45.6625	45.3150	45.4775	0.09%	68078	12.78%	187335	80.64%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	44.8375	45.1650	44.7875	44.9750	-0.06%	15081962	-9.31%	1147262	13.49%
Jun-11	45.1100	45.4175	45.0525	45.2225	-0.08%	999323	39.58%	408079	66.99%
Jul-11	45.3500	45.6625	45.3100	45.4850	-0.02%	115153	-8.72%	93736	14.41%

Outlook

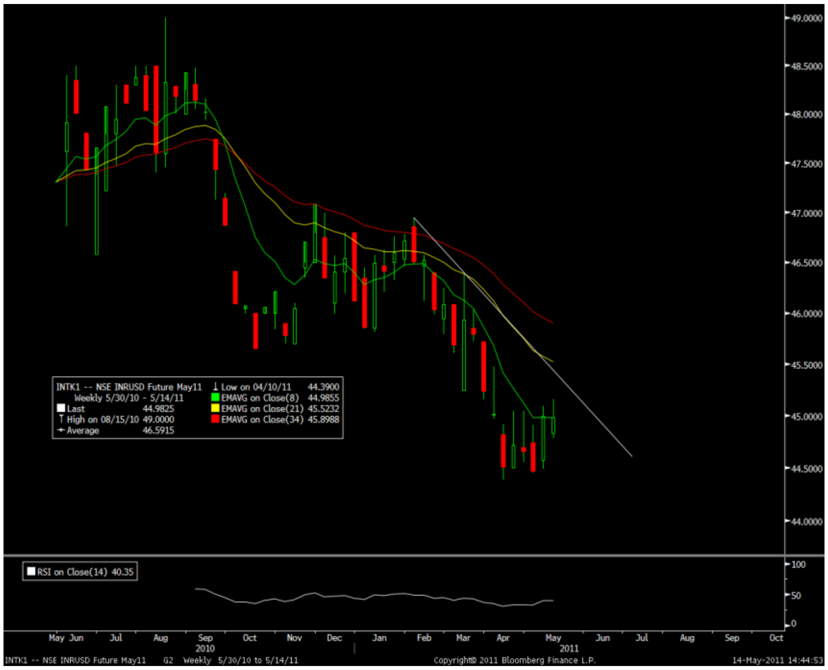
The past week saw the rupee close with a weekly loss of 0.16 percent. The dollar's gain against major currencies along with weaker domestic equity markets fuelled the rupee's loss. India's foreign exchange reserves fell to 309.535 billion as of May 6 from $313.511 bn in previous week. On the Economic data front in the coming week the minutes of FOMC meeting and Bank of England meeting will be keenly watched on May 18, which will be the key factors to decide dollar's fate. However, the probable meeting of the EU ministers to reinforce calls for a new rescue package to stave off the default of Greece's biggest public debt may further worsen the Euro against the dollar.

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 rupee is expected to depreciate till the middle of the week, in the latter part the FOMC meet will drive the dollar.

No Major Economic data for week ahead

TECHNICAL SNAPSHOT

The rupee closed the week largely higher at 44.9850 levels to gain by more than .12 % over the week gone by. In this week it witnessed an intraday high of 45.1650 and a low of 44.74 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 44.94 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. .. The pivotal point for the week is at 44.96 this is just the level at which the rupee has closed. .However a break below the pivotal point it could find support at 44.70 levels. Resistance is at 45.26 and then 45.41 levels



OUTLOOK: - We could expect the rupee to trade in a range of 44.65-45.37 levels for the week and recommend buying near the support levels.

EUR/USD

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
EURUSD	SPOT	1.3820	1.3960	1.4096	1.4329	1.4526	SELL 1.4290 TP 1.3980 SL 1.4350
EURINR – MCX-SX	May-11	62.4200	63.3800	64.2225	64.7000	65.1400	SELL 64.02 TP 62.68/62.54 SL 64.90
EURINR – NSE	May-11	62.4300	63.3900	64.2400	64.7200	65.1800	SELL 64.02 TP 62.68/62.54 SL 64.90

The Week Ahead:

- Euro to continue decline against USD; Greek Debt major concern
- Focus on FOMC minutes release & EU minister meet
- German Economic Data to closely watched

Fundamental Review

The euro fell against almost all of its 16 most-traded counterparts, reaching a six-week low against the dollar, on concern Greece may have to restructure its debt and the nation's problems may spread in the region. The Euro was further hurt when the S&P downgraded the Greek Debt rating by two notches. The euro dropped 1.4 percent to $1.4118, from $1.4316 on a weekly basis; this is its second weekly loss versus the greenback. It touched a low of $1.4067, which is also the lowest level since April 1. The shared currency fell 1.2 percent against the Yen and touched 113.52, the strongest level since March 18, when Group of Seven central banks sold yen to stem its surge after an earthquake and tsunami.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	64.8975	64.8975	63.7000	64.2200	-1.63%	782564	50.01%	246924	-36.17%
Jun-11	65.3000	65.4000	64.0000	64.5400	-1.62%	49480	-15.94%	88396	-8.08%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	64.7200	64.9925	63.7025	64.2400	-1.66%	549968	40.84%	41812	-4.74%
Jun-11	65.4600	65.5100	64.0425	64.5725	-1.66%	37876	-1.41%	17513	-3.07%

Outlook

After falling for a second week against the USD we can expect the Euro to continue its downtrend as the news of Greek Debt problems. This news could further lead the euro to decline. The 17-nation currency weakened before European finance ministers meet next week to discuss further support for Greece as the nation's cost of borrowing hovers at almost record levels. On the Economic front we can expect the data to come in mixed.

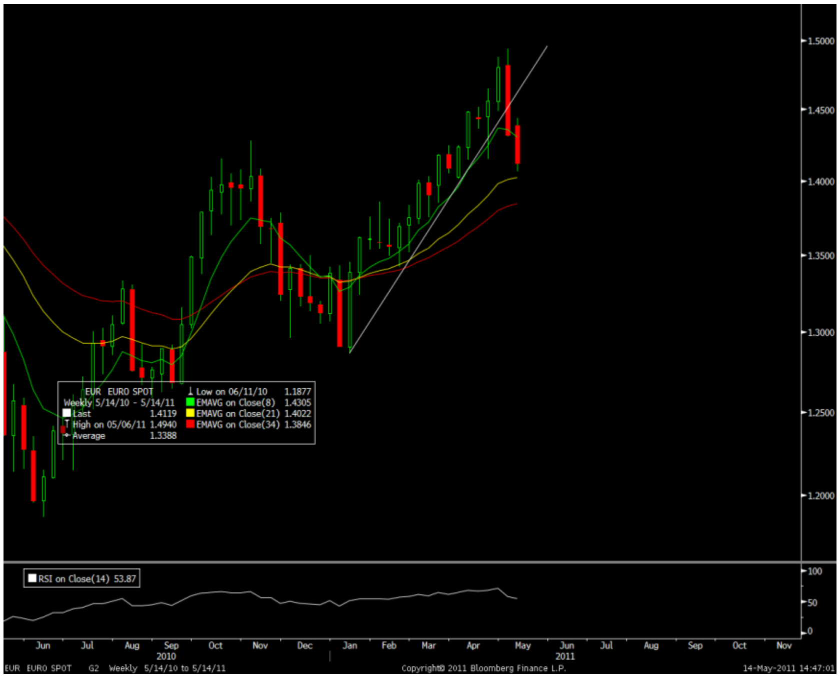
We expect the Euro to trade lower range against most of the currencies in the coming week. But as it has already has vertical fall there could be a bounce back in the Euro. The FOMC minutes and the EU meeting would hold key importance for the currency and could decide the further trend. The volatility is expected to rise in the coming week

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
05/16/2011 14:30	EC	Euro-Zone CPI (MoM)	APR	0.60%	1.40%
05/16/2011 14:30	EC	Euro-Zone CPI (YoY)	APR	2.80%	2.80%
05/16/2011 14:30	EC	Euro-Zone Trade Balance	MAR	2.0B	-1.5B

05/17/2011 14:30	GE	Zew Survey (Current Situation)	MAY	87.5	87.1
05/17/2011 14:30	EC	ZEW Survey (Econ. Sentiment)	MAY	17.3	19.7
05/17/2011 14:30	GE	ZEW Survey (Econ. Sentiment)	MAY	4.5	7.6
05/20/2011 11:30	GE	Producer Prices (MoM)	APR	0.60%	0.40%
05/20/2011 11:30	GE	Producer Prices (YoY)	APR	6.00%	6.20%

Technical analysis The Euro closed the week significantly lower at 1.4099 levels. It declined by over 1.4 %.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 1.4250 it fell tremendously to breach most of the short term moving averages. It fell below the 20 day exponential moving average at 1.4156 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). The Euro is currently trading below the 50 day exponential moving average (1.4230) which supports the negative move. The pivotal point for the week is at 1.4202 which could act as a strong resistance for the Euro as it trades much below the pivotal points. Support is at 1.3980 and then 1.3890 levels. Resistance is at 1.4290 and then 1.4346 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	71.80	72.40	73.1950	73.95	74.50	SELL 73.20 TP 72 SL 73.90
GBPINR – NSE	May-11	71.78	72.38	73.1700	73.92	74.48	SELL 73.17 TP 71.98 SL 73.90
GBPUSD	SPOT	1.5930	1.6060	1.6190	1.6435	1.6630	SELL 1.6233 TP 1.6040 SL 1.630

Fundamental Review

The pound weakened after data showed economic growth in Germany and France exceeded estimates and in expectations that the U.K. living standards will fall, spurring bets that euro-region interest rates will outpace increases in Britain. Sterling depreciated versus the majority of its 16 most traded peers. U.K. consumer earnings fell 3.8 percent in real terms in the 11 months through February. The Pound lost 1.04 % on a weekly basis to close at 1.6196

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	73.8500	73.9450	73.0500	73.1900	-0.82%	113515	37.09%	43751	18.61%
Jun-11	73.9375	74.3175	73.4225	73.5700	-0.40%	10582	61.65%	8205	35.84%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	73.6200	74.3900	73.0525	73.1700	-0.88%	113083	41.86%	11713	31.27%
Jun-11	73.8550	74.7675	73.4500	73.5300	-0.88%	6578	70.41%	1210	12.87%
Jul-11	74.1000	74.5800	72.8625	73.9000	-0.61%	310	158.33%	180	45.16%

Economic data for week ahead

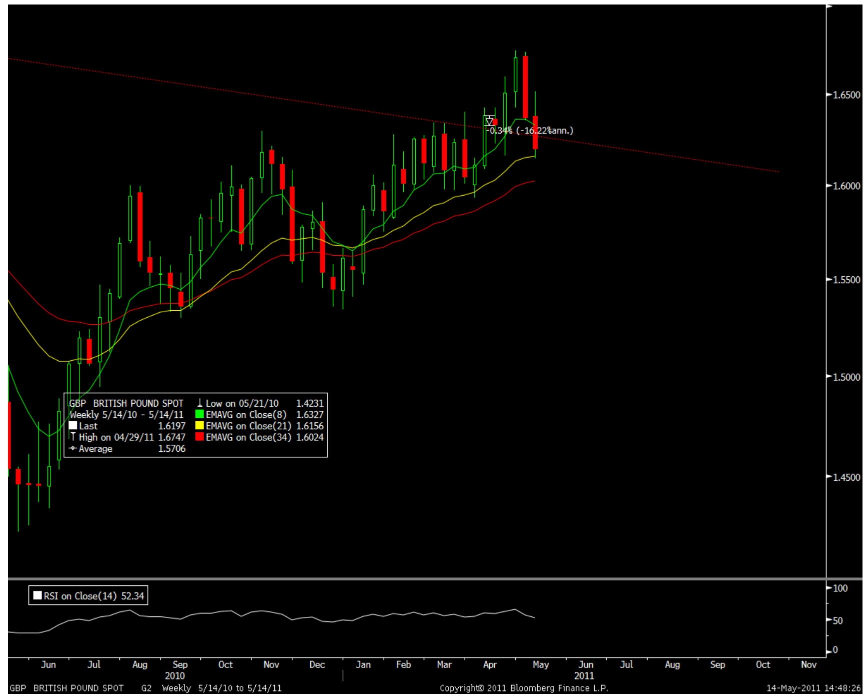
Date Time	Region	Event		Survey	Prior
05/17/2011 14:00	UK	CPI (MoM)	APR	0.70%	0.30%
05/17/2011 14:00	UK	CPI (YoY)	APR	4.10%	4.00%
05/17/2011 14:00	UK	Retail Price Index	APR	234.6	232.5
05/17/2011 14:00	UK	RPI (MoM)	APR	0.80%	0.50%
05/18/2011 14:00	UK	Bank of England Minutes			
05/18/2011 14:00	UK	Jobless Claims Change	APR	0.0K	0.7K

Outlook

We continue with our last week's view in which we had mentioned that the GBP would weaken further against the USD. Data belonging to the UK will probably be in negative form; which can add to the pressure on the GBP. The BOE minutes release on May 18 would hold key importance is the GBP is to reverse its trend.

We expect the GBP 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 taking cues from BOE minutes release.

Technical analysis:- The pound closed the week on a bearish note at 1.6196 levels to decline by more than 1.0% over the prior week. During the week it tested a high of 1.6517 and then a low of 1.6146 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 1.6387 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 move saw the pound break below trend line support that dates back to late December 2010, and suggests the further weakness for the currency. A break below interim support at 1.6150 sees targets at the 1.61-handle backed by 1.6070 and the long term 50% Fibonacci extension taken from the 2009 and 2010 trough at the 1.60-handle. This extension converges with trend line support dating back to May of 2010 and should provide the sterling with stronger support. Topside resistance is eyed at 1.6250 backed by 1.63 and 1.6355



OUTLOOK: - We could expect the pound to trade in a range of 1.6333-1.6070 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	54.930	55.310	55.7250	56.020	56.350	SIDEWAYS
JPYINR – NSE	May-11	54.930	55.310	55.7250	56.020	56.350	SIDEWAYS
USD/JPY	SPOT	79.570	80.220	80.8400	81.430	81.990	SIDEWAYS

The Week Ahead:

- Japan Yields at Near Year Low's
- Weaker Equity markets to drive the Yen sentiment

Fundamental Review

The yen strengthened amid speculation Tokyo Electric Power Co. is repatriating overseas funds to pay for damages and compensation in the wake of this year's nuclear power-plant disaster after the temblor and tsunami March 11. The Japanese bond yields are at very low levels are heading to near year lows. The Yen remains to be range bound with lackluster fundamental factors. The Yen depreciated by 0.34 % against the USD to give a close at 80.87.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	55.7500	55.9775	55.2625	55.7200	-0.41%	68497	50.22%	40879	28.00%
Jun-11	55.9500	56.5450	55.5575	55.9600	-0.55%	7795	23.28%	11608	38.19%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
May-11	55.7000	56.2000	55.2000	55.7200	-0.47%	79278	34.14%	17144	18.77%
Jun-11	56.3200	56.3900	55.9000	56.1500	-0.62%	440	353.61%	3683	0.27%
Jul-11	56.3200	56.3900	55.9000	56.1500	-0.62%	440	353.61%	2.231481481	223.15%

Economic data for week ahead

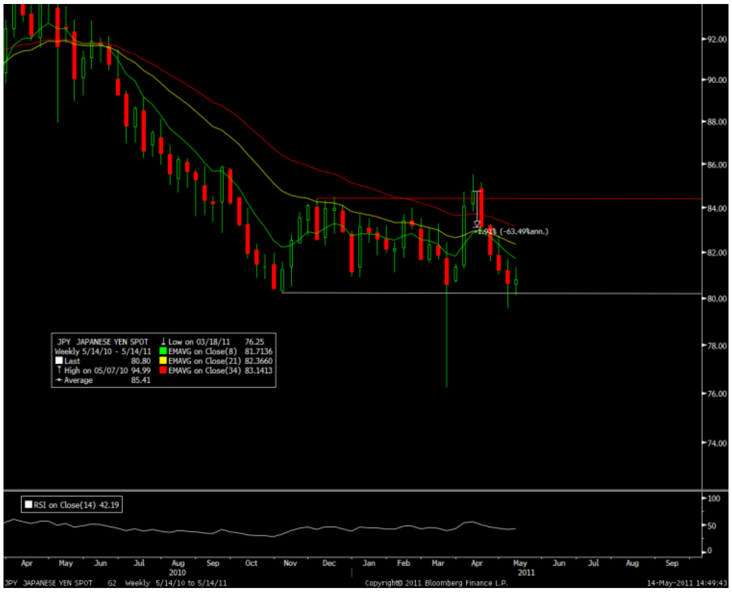
Date Time	Region	Event		Survey	Prior
05/16/2011 05:20	JN	Machine Orders (MoM)	MAR	-10.00%	-2.30%
05/16/2011 05:20	JN	Domestic CGPI (MoM)	APR	0.40%	0.60%
05/16/2011 10:30	JN	Consumer Confidence	APR	36.7	38.6
05/17/2011 11:30	JN	Machine Tool Orders (YoY)	APR F	- -	32.30%
05/19/2011 05:20	JN	GDP Deflator YoY	1Q P	-1.90%	-1.60%
05/19/2011 05:20	JN	Nominal GDP (QoQ)	1Q P	-0.80%	-0.70%
05/19/2011 05:20	JN	GDP Annualized	1Q P	-2.00%	-1.30%

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 most, if not all of the data is expected to come in negative which could hurt the currency. So overall we are neutral on the Yen.

Technical analysis The yen reversed its existing downtrend to close higher at 80.87 levels. During the week it tested a high of 81.34 and then during the penultimate day of the week in a swift intraday selloff tested a low of 80.13 levels. For the coming week If the market breaks above the 80.90 pivot as well as break above the declining trend line seen in the hourly chart, then the market has a chance to push further towards 82.50 (50% retracement and 200SMA). It can confirm by breaking above the current high at 81.34. However, the daily chart also shows the market breaking below a developing wedge pattern, signaling bearish continuation. The RSI remained below 60, so the bearish momentum is kept. However to confirm a bearish breakout, we need to at least see the RSI break back below 40.

If the market can stay below 81.00, and break below the pivot at 80.15, it should be heading back towards 79.56



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

Date Time	Region	Event		Survey	Prior
05/16/2011 05:20	JN	Machine Orders (MoM)	MAR	-10.00%	-2.30%
05/16/2011 05:20	JN	Domestic CGPI (MoM)	APR	0.40%	0.60%
05/16/2011 10:30	JN	Consumer Confidence	APR	36.7	38.6
05/16/2011 14:30	EC	Euro-Zone CPI (MoM)	APR	0.60%	1.40%
05/16/2011 14:30	EC	Euro-Zone CPI (YoY)	APR	2.80%	2.80%
05/16/2011 14:30	EC	Euro-Zone Trade Balance	MAR	2.0B	-1.5B
05/16/2011 18:00	US	Empire Manufacturing	MAY	19.7	21.7
05/16/2011 18:30	US	Total Net TIC Flows	MAR	- -	$97.7B
05/16/2011 18:30	US	Net Long-term TIC Flows	MAR	$32.6B	$26.9B
05/16/2011 19:30	US	NAHB Housing Market Index	MAY	17	16
05/17/2011 11:30	JN	Machine Tool Orders (YoY)	APR F	- -	32.30%
05/17/2011 14:00	UK	CPI (MoM)	APR	0.70%	0.30%
05/17/2011 14:00	UK	CPI (YoY)	APR	4.10%	4.00%
05/17/2011 14:00	UK	Retail Price Index	APR	234.6	232.5
05/17/2011 14:00	UK	RPI (MoM)	APR	0.80%	0.50%
05/17/2011 14:30	GE	Zew Survey (Current Situation)	MAY	87.5	87.1
05/17/2011 14:30	EC	ZEW Survey (Econ. Sentiment)	MAY	17.3	19.7

05/17/2011 14:30	GE	ZEW Survey (Econ. Sentiment)	MAY	4.5	7.6
05/17/2011 18:00	US	Housing Starts	APR	568K	549K
05/17/2011 18:00	US	Building Permits	APR	587K	594K
05/17/2011 18:00	US	Housing Starts MOM%	APR	3.50%	7.20%
05/17/2011 18:00	US	Building Permits MOM%	APR	0.30%	11.20%
05/17/2011 18:45	US	Industrial Production	APR	0.40%	0.80%
05/17/2011 18:45	US	Capacity Utilization	APR	77.60%	77.40%
05/18/2011 14:00	UK	Bank of England Minutes			
05/18/2011 14:00	UK	Jobless Claims Change	APR	0.0K	0.7K
05/18/2011 14:00	UK	ILO Unemployment Rate (3mths)	MAR	7.80%	7.80%
05/18/2011 16:30	US	MBA Mortgage Applications	13-May	- -	8.20%
05/18/2011 23:30	US	Minutes of FOMC Meeting			
05/19/2011 05:20	JN	GDP Deflator YoY	1Q P	-1.90%	-1.60%
05/19/2011 05:20	JN	Nominal GDP (QoQ)	1Q P	-0.80%	-0.70%
05/19/2011 05:20	JN	GDP Annualized	1Q P	-2.00%	-1.30%
05/19/2011 05:20	JN	Gross Domestic Product (QoQ)	1Q P	-0.50%	-0.30%
05/19/2011 10:00	JN	Industrial Production (MoM)	MAR F	- -	-15.30%
05/19/2011 18:00	US	Initial Jobless Claims	14-May	420K	434K
05/19/2011 18:00	US	Continuing Claims	7-May	3723K	3756K
05/19/2011 19:30	US	Existing Home Sales	APR	5.20M	5.10M
05/19/2011 19:30	US	Existing Home Sales MoM	APR	2.00%	3.70%
05/19/2011 19:30	US	Leading Indicators	APR	0.10%	0.40%
05/19/2011 19:30	US	Philadelphia Fed.	MAY	20	18.5
05/20/2011 11:30	GE	Producer Prices (MoM)	APR	0.60%	0.40%
05/20/2011 11:30	GE	Producer Prices (YoY)	APR	6.00%	6.20%
05/20/2011 13:30	EC	ECB Euro-Zone Current Account SA	MAR	- -	-7.2B
05/20/2011 19:30	EC	Euro-Zone Consumer Confidence	MAY A	-12	-11.6
05/20/2011	JN	BOJ Target Rate	20-May	- -	0.10%