



Global economic review

Economic performance:

The past week was once again kept busy with the Euro Zone crisis with Italy being the latest to join the list of countries having their Debt rating reduced. The Euro zone debt concerns about the Greece default having been ratcheted up over the weekend are the heart of the problem. Another ratings downgrade by Fitch has not helped. Added to this, a drubbing at the Spanish polls for the governing Socialist party, widely seen as a backlash against austerity measures is all adding to investors' feelings that the European debt problems are going to be a much longer drawn out process.

The Global Equity markets also felt the jitters as most of them extended their weekly losses. The Dow Jones Industrial Average closed at 12,441.58, down 0.56% on a weekly basis. S&P 500 finished at 1,331.10, lower by 0.16%. In commodities markets Gold and Silver rallied as a weaker dollar and Debt concerns moved investors towards safer assets. Gold rose 1.7% whereas Silver rallied more than 7%.

CROSS	LAST	1 Day ago	% Change
USDINR Spot	45.02	44.87	0.34
MCX-SX Futures	45.05	44.98	0.14
NSE Futures	45.07	44.98	0.20
EURO Futures	64.14	64.21	-0.11
GBP Futures	73.11	73.17	-0.09
JPY (100) Futures	55.15	55.70	-0.98
ICE Dollar Index	75.44	75.76	-0.43

INDICES	LAST	1 week ago	% Change
NIFTY	5486.35	5544.75	-1.05
SENSEX	18326.09	18531.28	-1.11
NASDAQ	2803.32	2828.47	-0.89
DOW JONES INDUSTRIAL	12512.04	12595.75	-0.66
SHANGHAI COMPOSITE	2858.46	2871.03	-0.44
NIKKIE 225	9607.08	9648.77	-0.43
HANGSENG	23199.39	23276.27	-0.33
FTSE Index	5948.49	5925.87	0.38

Major events:

- Gold and Silver post weekly gains
- Euro recovers despite Debt concerns
- Major Global Equity markets posted Weekly losses

Dollar Index

Currency	S2	S1	Close	R1	R2	Recommendation
Dollar Index	73.743	74.347	74.9500	75.957	76.963	Sideways

TECHNICAL SNAPSHOT:

The dollar index traded higher for most of the week by continuing the previous trend, but it finally closed the week on a loss of 0.9 %. It made a low of 74.95 then high of 76.36 levels before settling lower at 74.95 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 75.33 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 trading at 0.432 levels and suggesting higher potential for the coming week.



Outlook: We expect prices to trade in a range for the coming week and recommend staying neutral



USD/INR

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
USDINR – MCX-SX	Jun-11	45.113	45.257	45.40	45.597	45.793	Sell 45.50-55 TP 44.98 SL 45.70
USDINR – NSE	Jun-11	45.113	45.257	45.40	45.597	45.793	Sell 45.51-55 TP 44.98 SL 45.70

The Week Ahead:

- Euro continued gain to make rupee appreciate
- Weaker Equity markets to limit rupee's gain
- Weaker Economic data from US to help rupee further

Fundamental Review

Rupee declined for a Fourth week on speculation that importers and domestic oil companies will step up dollar purchases to settle month-end bills. The rupee is the second worst performing currency among the Asian Dollar index. The Euro's fall for the better part of the week was also a major contributor for the rupee's fall as the euro also hit an eight week low against the USD. But to the end of the week the Euro recovered as Economic Data from the US was disappointing raising concerns on the economic recovery in the US. The S&P Nifty fell by 0.12 percent on a weekly basis to finally close at 5476. The rupee depreciated for the week by 0.44 percent to finally end at 45.16. Government bond prices rose further on persistent buying from banks and corporate, while call rates ended higher on overnight call money market on a higher demand.

The one-month onshore forward premium was at 22 points against 21.50 points previously. The three-month was at 70 points versus 69.75 and the one-year was at 263.50 points against 256.75.

The one-month offshore non-deliverable forward contracts were quoted at 45.51, 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 all at 45.4125, with the total volume at \$2.33 billion.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	45.3500	45.6500	45.3100	45.4075	0.29%	3974276	617.84%	1577971	162.59%
Jul-11	45.5700	45.8550	45.5250	45.6275	0.28%	186230	168.76%	354769	91.02%
Aug-11	45.8650	46.0600	45.7800	45.8675	0.27%	33091	357.25%	170513	50.05%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	45.3700	45.6525	45.3700	45.4050	0.24%	4384542	197.35%	940676	95.41%
Jul-11	45.5900	45.8600	45.5850	45.6300	0.24%	283269	122.96%	187577	62.65%
Aug-11	45.7700	46.0700	45.7700	45.8700	0.26%	63121	438.44%	78291	39.95%

Outlook

The past week saw the rupee close with a weekly loss of 0.44 percent, as month end demand from importers and domestic OMC led the decline. Domestic OMC are the major buyers of the dollar in the forex market. On the Economic data front in the coming week the US data is expected to come in mixed, as most of the Economic releases globally are from the US. Majorly the unemployment rate is expected to come in better, but the Factory orders and the ISM Manufacturing numbers are expected to decline. From Euro zone the data is expected to come in positive form. Looking at how the past week has fared for the whole global economy especially to the latter part of the week. We can expect the rupee to follow the trend and is likely to appreciate further. The economic data from the Euro zone can help



in strengthening the Euro further which will also help in rupee's gain. So, overall we can see the rupee appreciating in the coming week.

No Major Economic data for week ahead

TECHNICAL SNAPSHOT

The rupee closed the week largely higher at 45.4050 levels to gain by 0.44% over the week gone by. In this week it witnessed an intraday high of 45.6550 and a low of 45.3175 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 44.99 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 45.09 which are very close to where the rupee haws closed. However a break above the pivotal point it could head to higher levels of 45.17 levels. Resistance is at 45.26 and then 45.41 levels



OUTLOOK: - We could expect the rupee to trade in a range of 44.80-45.67 levels for the week and recommend selling near the resistance levels.



EUR/USD

Currency	Contract	S2	S1	Close	R1		Recommendation
EURUSD	SPOT	1.385	1.408	1.4321	1.444	1.456	BUY 1.4220 TP 1.4480 SL 1.4100
EURINR – MCX-SX	Jun-11	63.197	63.873	64.5500	64.983	65.417	BUY 63.90-95 TP 65.08/65.14 SL 63.50
EURINR – NSE	Jun-11	63.197	63.873	64.5500	64.983	65.417	BUY 63.90-95 TP 65.08/65.14 SL 63.50

The Week Ahead:

- Euro to continue gain against USD
- German Economic Data to closely watched
- Renewed Debt Crisis may limit upside in Euro

Fundamental Review

In the beginning of the week the Euro zone debt concerns about the Greece default having been ratcheted up over the weekend were the heart of the problem. Another ratings downgrade by Fitch have not helped, adding to this a warning over the state of Italy's credit has made matters worse. Further to this, a drubbing at the Spanish polls for the governing Socialist party, widely seen as a backlash against austerity measures is all adding to investors' feelings that the European debt problems are going to be a much longer drawn out process than anticipated. Following this news the Euro has hit new 8 week lows against the dollar. But to the end of the week the Euro rallied as weaker economic data from the US weakened their growth outlook. The euro gained marginally by 1.19 percent to \$1.4321, from \$1.4153 on a weekly basis.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	64.0000	64.7475	63.6300	64.5500	0.23%	208536	313.29%	139786	107.93%
Jul-11	64.2700	64.9675	63.9450	64.7750	0.17%	6493	228.93%	11960	178.72%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	64.3200	64.7500	63.6300	64.5425	0.27%	175126	498.52%	44869	140.08%
Jul-11	64.3300	64.9550	63.9500	64.7800	0.12%	6339	203.88%	3714	21.86%

Outlook

The Euro reversed its losses from the beginning of the week to close higher. For the coming week, Economic data is expected to come in higher than expected that can further support the prices. From the US the data is expected to come in broadly mixed. For the next week, we expect the Euro to trade in a higher range against most of the currencies in the coming week. The rise has been steady and the debt concerns are still lingering so the gain could be capped. The volatility is expected to rise in the coming week

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
05/31/2011 11:30	GE	Retail Sales (MoM)	APR	1.80%	-2.10%
05/31/2011 11:30	GE	Retail Sales (YoY)	APR	1.50%	-3.50%



05/31/2011 13:25	GE	Unemployment Change (000's)	MAY	-30K	-37K
05/31/2011 13:25	GE	Unemployment Rate (s.a)	MAY	7.00%	7.10%
05/31/2011 14:30	EC	Euro-Zone CPI Estimate (YoY)	MAY	2.80%	2.80%
05/31/2011 14:30	EC	Euro-Zone Unemployment Rate	APR	9.90%	9.90%
06/01/2011 13:25	GE	PMI Manufacturing	MAY F	58.2	58.2
06/01/2011 13:30	EC	PMI Manufacturing	MAY F	54.8	54.8

Technical analysis The Euro closed the week with a gain of 1.19% to close at 1.4321 levels. During the initial half of the week the Euro traded negative range but could not sustain lower levels. Hence after taking support at 1.3970 it recovered by more than 1% from there. On a weekly chart it's trading above the 20 day exponential moving average at 1.3886 levels suggesting that the Euro has still some support on the downside the pivotal point for the week is at 1.4203. Support is at 1.4080 and then 1.3890 levels. Resistance is at 1.4410 and then 1.4560 levels.

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





GBP/USD

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
GBPINR – MCX-SX	Jun-11	72.503	73.477	74.4500	75.017	75.583	Buy 73.80 SL 73.40 TP 75.15-30
GBPINR – NSE	Jun-11	72.503	73.477	74.4500	75.017	75.583	Buy 73.80 SL 73.40 TP 75.15-30
GBPUSD	SPOT	1.590	1.620	1.6509	1.666	1.681	Buy 1.6400 TP 1.6580 SL 1.6320

Fundamental Review

The Sterling gained on a weekly basis against both the USD and the Euro. The Sterling rose to a two-week high against a broadly weak U.S. dollar as soft U.S. data hit Treasury yields and put pressure on the greenback. The Bank of England Members gave mixed statement about the rate hikes in the coming month. It is widely expected that BOE will follow ECB bad raise rates in the coming months. The pound gained 1.71 percent on a weekly basis to give a close at 1.6506

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	73.3000	74.6125	73.0725	74.4525	1.41%	71722	490.74%	42014	313.93%
Jul-11	73.9375	74.8700	73.4350	74.7000	-0.18%	2732	82.30%	2800	1011.11%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	73.5700	74.6100	73.0625	74.4500	1.39%	45557	896.65%	13477	654.17%
Jul-11	74.1700	75.1100	73.4100	74.6625	1.17%	2525	824.91%	1472	534.48%
Aug-11	74.1400	74.9800	74.1400	74.9800	-0.41%	43	2050.00%	44	1366.67%

Economic data for week ahead

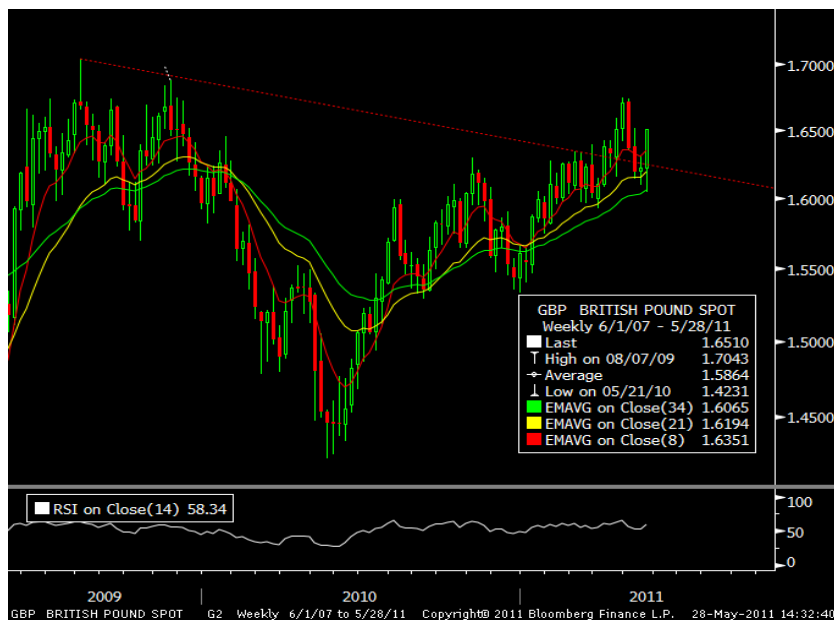
Date Time	Region	Event		Survey	Prior
06/01/2011 14:00	UK	PMI Manufacturing	MAY	54.1	54.6
06/01/2011 14:00	UK	Net Consumer Credit	APR	0.2B	0.1B
06/02/2011 14:00	UK	PMI Construction	MAY	53.5	53.3
06/03/2011 14:00	UK	PMI Services	MAY	54.2	54.3
06/01/2011 14:00	UK	PMI Manufacturing	MAY	54.1	54.6
06/01/2011 14:00	UK	Net Consumer Credit	APR	0.2B	0.1B

Outlook

For the coming week we can see the pound trade in a narrow range having a positive bias. It can find support as the revised economic data can come in the positive side. But overall there are not much triggers in the market for the pound. So for the coming week we can see some gains for the pound when data is released, but overall it's expected to trade in a small range.



Technical analysis:- The pound closed the week on a bullish note at 1.6506 levels to gain by more than 1.0% over the prior week. During the week it tested a high of 1.6517 and then a low of 1.6058 levels during the last day of the week to finally settle closer to high of the week. The weekly candlestick depicts a long green marabou suggesting that the domination of the bulls which could take it higher from the current levels. The pound has breached its earlier downtrend as it is trading above its 20 day exponential moving average level of 1.6187 levels. Also sustaining above the same for two consecutive days has confirmed the short term uptrend. Topside resistance is eyed at 1.6550 backed by 1.6610 and 1.6725. Support can be found at 1.6250-1.6120



OUTLOOK: - We could expect the pound to trade in a range of 1.6233-1.6570 levels for the week and recommend buying at support levels

USD/JPY

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
JPYINR – MCX-SX	Jun-11	54.983	55.457	55.9350	56.247	56.563	SIDEWAYS
JPYINR – NSE	Jun-11	54.983	55.457	55.9350	56.247	56.563	SIDEWAYS
USD/JPY	SPOT	79.677	80.223	80.8400	81.763	82.757	SIDEWAYS

The Week Ahead:

- Flitch Downgrade to Effect Yen further
- Weaker Equity markets to drive the Yen sentiment

Fundamental Review

The yen gained against the USD as negative economic data from the US weakened the dollar against most of its counterparts. In the beginning of the week we saw the Yen fall after weaker economic data from Japan reconfirmed the fears that it would take much longer than expected to get the economy back on track. The Yen gave a close at 80.77 an appreciation of 1.11 percent on a weekly basis.



MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	55.3000	56.0900	55.3000	55.9300	0.99%	41484	245.50%	32046	137.75%
Jul-11	55.7500	56.3000	55.7000	56.1300	0.84%	762	47.39%	778	-8.90%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	55.4000	56.0975	55.3900	55.9325	0.96%	33025	276.91%	16929	284.40%
Jul-11	55.7000	56.2600	54.9000	56.1300	0.95%	482	47.40%	518	85.00%
Aug-11	56.5150	56.5150	56.2550	56.2550	-0.26%	2	-86.67%	0	0.00%

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
05/31/2011 05:20	JN	Industrial Production (MoM)	APR P	2.20%	-15.50%
05/31/2011 09:30	JN	Vehicle Production (YoY)	APR	--	-57.30%

Outlook

We can see the Yen depreciate further for the coming week as more negative sentiment can be formed looking at the downgrade and also the problems the Prime Minister could face as he tries to develop a economic data from Japan would only add more pressure on the currency. The depreciation could be stalled as on the economic data front we expect Japanese data to come in positive.

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 buying at lower levels.



Major economic events for the week

Date Time	Region	Event		Survey	Prior
05/31/2011 05:20	JN	Industrial Production (MoM)	APR P	2.20%	-15.50%
05/31/2011 09:30	JN	Vehicle Production (YoY)	APR	--	-57.30%
05/31/2011 10:30	JN	Housing Starts (YoY)	APR	-3.10%	-2.40%
05/31/2011 11:30	GE	Retail Sales (MoM)	APR	1.80%	-2.10%
05/31/2011 11:30	GE	Retail Sales (YoY)	APR	1.50%	-3.50%
05/31/2011 13:25	GE	Unemployment Change (000's)	MAY	-30K	-37K
05/31/2011 13:25	GE	Unemployment Rate (s.a)	MAY	7.00%	7.10%
05/31/2011 14:30	EC	Euro-Zone CPI Estimate (YoY)	MAY	2.80%	2.80%
05/31/2011 14:30	EC	Euro-Zone Unemployment Rate	APR	9.90%	9.90%
05/31/2011 18:30	US	S&P/CaseShiller Home Price Ind	MAR	--	139.27
05/31/2011 19:30	US	Consumer Confidence	MAY	66.5	65.4
05/31/2011 20:00	US	Dallas Fed Manf. Activity	MAY	8	10.5
06/01/2011 06:30	CH	PMI Manufacturing	MAY	51.6	52.9
06/01/2011 08:00	CH	HSBC Manufacturing PMI	MAY	--	51.8
06/01/2011 13:25	GE	PMI Manufacturing	MAY F	58.2	58.2
06/01/2011 13:30	EC	PMI Manufacturing	MAY F	54.8	54.8
06/01/2011 14:00	UK	PMI Manufacturing	MAY	54.1	54.6
06/01/2011 14:00	UK	Net Consumer Credit	APR	0.2B	0.1B
06/01/2011 16:30	US	MBA Mortgage Applications	27-May	--	1.10%
06/01/2011 17:00	US	Challenger Job Cuts YoY	MAY	--	-4.80%
06/01/2011 17:45	US	ADP Employment Change	MAY	175K	179K
06/01/2011 19:30	US	Construction Spending MoM	APR	0.30%	1.40%
06/01/2011 19:30	US	ISM Manufacturing	MAY	57.6	60.4
06/01/2011 19:30	US	ISM Prices Paid	MAY	81.5	85.5
06/02/2011 02:30	US	Total Vehicle Sales	MAY	12.50M	13.14M
06/02/2011 02:30	US	Domestic Vehicle Sales	MAY	9.85M	10.20M
06/02/2011 14:00	UK	PMI Construction	MAY	53.5	53.3
06/02/2011 18:00	US	Nonfarm Productivity	1Q F	1.70%	1.60%
06/02/2011 18:00	US	Unit Labor Costs	1Q F	0.80%	1.00%
06/02/2011 18:00	US	Initial Jobless Claims	28-May	417K	424K
06/02/2011 18:00	US	Continuing Claims	21-May	3675K	3690K
06/02/2011 19:30	US	Factory Orders	APR	-1.00%	3.00%
06/03/2011 06:30	CH	China Non-manufacturing PMI	MAY	--	62.5
06/03/2011 08:00	CH	China HSBC Services PMI	MAY	--	51.6



Currency Weekly



A Comprehensive Report

06/03/2011 13:25	GE	PMI Services	MAY F	54.9	54.9
06/03/2011 13:30	EC	PMI Composite	MAY F	55.4	55.4
06/03/2011 13:30	EC	PMI Services	MAY F	55.4	55.4
06/03/2011 14:00	UK	PMI Services	MAY	54.2	54.3
06/03/2011 18:00	US	Change in Nonfarm Payrolls	MAY	185K	244K
06/03/2011 18:00	US	Change in Private Payrolls	MAY	210K	268K
06/03/2011 18:00	US	Change in Manufact. Payrolls	MAY	13K	29K
06/03/2011 18:00	US	Unemployment Rate	MAY	8.90%	9.00%
06/03/2011 19:30	US	ISM Non-Manf. Composite	MAY	54	52.8

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