



Global economic review

Economic performance:

The past week saw losses for all the major asset classes. The stock markets were the worst hit as weaker economic data from all major regions reconfirmed the view that the global recovery would take much longer than anticipated to come back to track. U.S. stocks fell for the sixth straight week, giving the Dow Jones its longest slump since 2002. The S&P 500 lost 2.2 percent to 1,270.98, its lowest level since March. The Dow fell 199.35 points, or 1.6 percent, to 11,951.91. The European and the Asian stocks were not any better as they also continued their several weekly declines. These indices showed losses of anywhere between 0.5-2.3%. National benchmarks retreated in all 18 west European countries this past week. The U.K.'s FTSE Index decreased 1.5 percent, Germany's DAX Index dropped 0.6 percent and France's CAC 40 Index fell 2.2 percent, the biggest loss in 12 weeks. The domestic index S&P nifty fell more than 0.5% to 5485 from 5516 a week ago. The Euro after rising for the major part of the week fell in the last two days after the ECB kept its rates unchanged. Asian currencies also halted a three-week rally as foreign investors sold Asian equities. On the commodities space both gold and crude oil fell about 0.90%, whereas silver gained marginally by about 0.31%

INDICES	LAST	1 week ago	% Change
NIFTY	5485.80	5516.75	-0.56
SENSEX	18268.54	18376.48	-0.59
NASDAQ	2643.73	2732.78	-3.26
DOW JONES INDUSTRIAL	11951.91	12151.26	-1.64
SHANGHAI COMPOSITE	2705.14	2728.02	-0.84
NIKKIE 225	9514.44	9492.21	0.23
HANGSENG	22420.37	22949.56	-2.31
FTSE Index	5765.80	5855.01	-1.52

CROSS	LAST	1 week ago	% Change
EURUSD	1.43	1.46	-1.97
GBPUSD	1.62	1.64	-1.21
USDJPY	80.32	80.34	-0.02
USDCAD	0.98	0.98	0.21
USDCHF	0.84	0.83	1.14
USDSEK	6.33	6.13	3.19

Major events:

- Gold and Crude oil post weekly loss
- Euro and Pound posts major losses as both Central banks keep rates unchanged
- Major Global Equity markets posted Weekly losses

Dollar Index

Currency	S2	S1	Close	R1	R2	Recommendation
Dollar Index	72.990	73.890	74.7900	75.300	75.810	Buy at 74.50/74.55 TP 75.50 SL 74.00

TECHNICAL SNAPSHOT:

The concept of *engulfing pattern* is seen on spot US dollar index chart in the last week. Precisely, market has engulfed the previous weeks down trend and ended on a higher note at \$74.795 up by 1.54 per cent. This indicate market is likely to move higher in the coming week, however, a minute hurdle is seen by 8-week EMA as a resistance point of 75.015, also previous weeks high. A break above the same may keep DXY to trade higher. In this regard we may expect the next resistance point to be at 75.69 levels. This looks like the coming week should decide the outlook of DXY for the short term as well as the charts are looking so promising that it may make a reversal point. Looking at the above analysis we recommend taking long positions for the week.





USD/INR

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
USDINR – MCX-SX	Jun-11	43.9625	44.405	44.8475	45.63	46.4125	Buy44.80-85 TP 45.10 SL 44.60
USDINR – NSE	Jun-11	44.6042	44.7258	44.8425	44.9883	45.1292	Buy44.80-85 TP 45.10 SL 44.60

The Week Ahead:

- USD gain to make rupee depreciate
- Weaker Equity markets to hurt rupee's gain
- RBI to decide on Repo and Reverse Repo rates on Thursday

Fundamental Review

After declining for the whole of May the rupee posted its second weekly gain. The slump in the greenback also helped the rupee to gain its momentum. Indian shares fell for the third week, hurt by slower April industrial output growth and weak world equities. The Industrial output grew at 4.4% for the month of April as compared to last months 7.3%. This number came in lower than an expectation of 5.5%. India's industrial output growth dipped in April, the latest sign that rising cost of credit and inflation are acting as brakes on the economy, which may compel the RBI to pull back from its aggressive monetary policy tightening. The RBI will meet on Thursday 16th June to decide on its benchmark rates. The central bank is expected to raise rates by 25bps. The rupee gained 0.4% this week to 44.71 per dollar. The India Bond prices declined on a weekly basis as weaker economic data weighed on the prices. The 10 yr Bond yield ended at 8.25%. The 10-year yield has tumbled 6 basis points this week

The one-month onshore forward premium was at 25.00 points versus 22.50 points. The three-month was at 76.50 points versus 73.50 points while the one-year was at 264.25 points from 254.50 previously. One-month offshore non-deliverable forward contracts were quoted at 44.93, weaker than the onshore spot rate. In the currency futures market, the most traded near-month dollar-rupee contracts on the National Stock Exchange and the MCX-SX were both at 44.8475 and on the United Stock Exchange at 44.8500, with the total volume at USD 7.01 billion

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	45.1000	45.9700	44.7450	44.8475	-0.41%	14634292	8.11%	2941525	15.92%
Jul-11	45.2200	45.2400	44.9825	45.0875	-0.34%	422745	-13.22%	730935	39.12%
Aug-11	45.4000	45.5000	45.2500	45.3600	-0.28%	147075	46.93%	362265	45.25%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	44.9500	45.0075	44.7450	44.8475	-0.34%	13401598	1.04%	1226761	16.35%
Jul-11	45.2100	45.2450	44.9800	45.0850	-0.32%	670716	-36.78%	378645	26.13%
Aug-11	45.4025	45.5700	45.2475	45.3575	-0.29%	259844	-19.00%	150673	24.83%

Outlook

The past week saw the rupee close with a weekly gain of 0.40 percent, the second consecutive weekly gain since April. The Euro's gain in the beginning of the week has been major contributor for the rupee's gain. On the Economic data front in the coming week the US data is expected to come in positive. Not much data is expected from the EU in the coming week. From UK the data is expected to come in positive form.

The market focus will be on the Reserve Bank of India's interest rate decision on Thursday. The central bank is widely expected to nudge rates higher by 25 basis points. The Euro has pared away all its gains in the last two days of the week



even sending it into the negative for the week by Friday's close. We expect the greenback to start compiling its gains over the next week owing to better economic data. Keeping these factors in mind we expect the rupee to depreciate from here for the coming week.

Major Economic data for week ahead

Date Time	Region	Event		Survey	Prior
06/14/2011 09:31	IN	India Manpower Survey	3Q	--	49%
06/14/2011 12:00	IN	Monthly Wholesale Prices YoY%	MAY	8.78%	8.66%
06/16/2011 12:00	IN	India REPO Cutoff Yld	16-Jun	7.50%	7.25%
06/16/2011 12:00	IN	Food Articles WPI YoY	4-Jun	--	9.01%
06/16/2011 12:00	IN	Fuel Power Light WPI YoY	4-Jun	--	12.46%
06/16/2011 12:00	IN	Primary Articles WPI YoY	4-Jun	--	11.52%
06/16/2011 12:00	IN	Cash Reserve Ratio	16-Jun	6.00%	6.00%
06/16/2011 12:00	IN	Reverse Repo Rate	16-Jun	6.50%	6.25%

TECHNICAL SNAPSHOT

The week gone by has been bearish for Indian rupee however, after making a low of 44.5750 it recovered and ended at 44.7214 levels. Market has shown a smart pullback from the weekly support levels. This is the third consecutive week where INR has been declining and the pullback pattern in the weekly candle suggests market to take a minor reversal. In another form if market fails to breach previous week's low then we may expect INR to move higher having an immediate resistance at 44.8300 and then 45.0000 levels. However, if market breaches the support levels then the trend could be extended. The momentum indicator does show no signs of trend in fact rendering a neutral phase. Looking at the above analysis we could say INR may move higher only if it breaches the resistance of previous weeks high.

OUTLOOK: - We could expect the rupee to trade in a range of 44.60-45.07 levels for the week and recommend buying near the resistance levels.





EUR/USD

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
EURUSD	SPOT	1.408	1.421	1.4348	1.459	1.483	Sell at 1.4370/1.4380 TP \$1.4270 SL above 1.4420
EURINR – MCX-SX	Jun-11	64.0733	64.4467	64.8200	65.5367	66.2533	Sell 64.60-65 TP 64.00/63.94 SL 64.90
EURINR – NSE	Jun-11	64.1317	64.4708	64.8100	65.4633	66.1167	Sell 64.60-65 TP 64.00/63.94 SL 64.90

The Week Ahead:

- Euro to continue its decline against USD
- Renewed Greek Debt Crisis may renew downside in Euro
- Greek bailout restructuring to have major impact on Euro

Fundamental Review

The euro fell versus the dollar for the first time in almost a month after the European Central Bank revised its inflation forecast, signaling the pace of interest- rate increases this year may slow. The shared currency depreciated this week as ECB President Jean-Claude Trichet resisted calls for Greek bondholders to contribute to financial aid for the nation. The ECB kept the rates unchanged at 1.25% which disappointed the investors who ended up dumping the shared currency. The dollar rose for the first time in four weeks against its six major trading partners and the yen gained against the greenback for a third week as stocks and commodities fell, driving investors to haven assets. The euro lost by 1.93 percent to \$1.4348, from \$1.4633 on a weekly basis.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	65.5600	65.8800	64.7900	64.8200	-0.57%	534163	-13.21%	401818	20.24%
Jul-11	65.7800	66.0500	65.0900	65.1250	-0.49%	41938	52.90%	57049	90.56%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	65.6025	65.7775	64.7850	64.8100	-0.57%	400891	17.60%	60050	37.53%
Jul-11	65.5600	66.0575	65.0800	65.1000	-0.52%	35231	10.53%	19668	48.52%

Outlook

The Euro reversed its gains from the beginning of the week to close lower, after ECB kept Benchmark rates unchanged. The growing inflation is increasing fears about the recovery. For the coming week, there is not much economic data from the Euro zone. From the US the data is expected to come in broadly positive which might support the greenback further. For the next week, we expect the Euro to trade in a lower range against most of the currencies. The fall in Euro after the rate decision has been sharp and vertical, so the expected decline could be limited. Overall, the volatility is expected to rise in the coming week.

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
06/16/2011 14:30	EC	Euro-Zone CPI (MoM)	MAY	0.00%	0.60%
06/17/2011 14:30	EC	Euro-Zone Trade Balance sa	APR	-2.7B	-0.9B

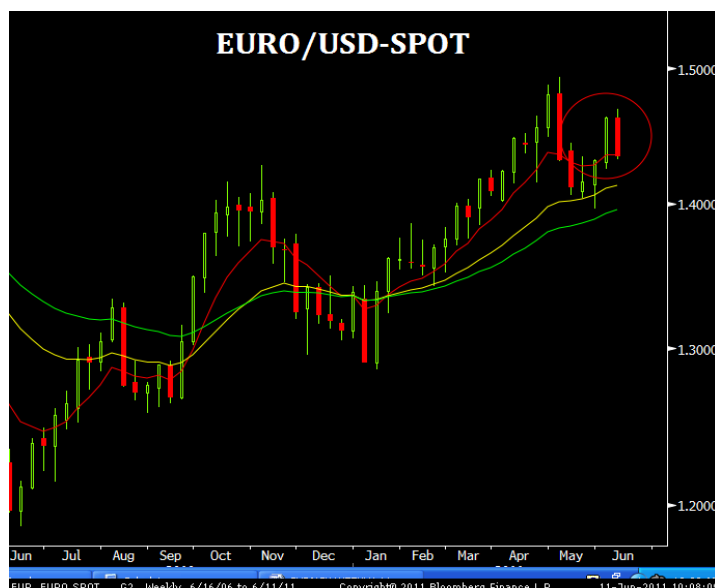


Technical analysis:

Euro Spot traded substantially lower from the highs and ended at \$1.4347 levels. The concept of engulfing pattern is seen on this currency suggesting euro to take crucial move in the short term. Market is finding a minor support at \$1.4282/1.4257 (8-week EMA with previous week's low and previous swing high). If market breaches the support levels may see an extended correction on this currency and the support could be seen at \$1.4240 levels. The resistances can be seen at \$1.4370/1.4380. If market sustains below the resistance point then we may expect an extended correction till the support levels.

Looking at the above analysis we believe euro/usd to take smart correction in the coming week too

Recommendation: Sell at \$1.4370/1.4380 TP \$1.4270 SL above 1.4420



GBP/USD

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
GBPINR – MCX-SX	Jun-11	72.2717	72.6933	73.1150	73.6933	74.2717	Sell 73.45 SL 73.70 TP 73.95-80
GBPINR – NSE	Jun-11	72.2717	72.6983	73.1225	73.7008	74.2767	Sell 73.45 SL 73.70 TP 73.95-80
GBPUSD	SPOT	1.606	1.613	1.6226	1.637	1.654	Sell at \$1.6325/1.6340 TP \$1.6230 SL above \$1.6400

Fundamental Review

Sterling fell against most of its 16 major, dropping for a third day versus the dollar. UK's Factory output contracted 1.5 percent in April after rising 0.2 percent in March. The BOE kept the rates unchanged at 0.5% which also prompted the fall. The yield on two-year U.K. government notes fell four basis points to 0.82 percent, after reaching 0.8 percent, the least since Nov. 2010. The pound lost 1.17 percent on a weekly basis to give a close at 1.6230. It fell as low as \$1.6218, during the week which is the weakest since May 25, 2011. This is the second consecutive weekly loss for the pound.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	73.5900	73.8500	72.8500	73.1150	-0.44%	153520	-16.62%	58543	-40.08%
Jul-11	73.9375	74.1350	73.2000	73.4500	-1.31%	12386	299.23%	9703	19.11%



NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	73.8400	73.8500	72.8475	73.1250	-0.41%	121427	-1.04%	8254	6.93%
Jul-11	74.0450	74.1300	73.2000	73.4900	-0.33%	5481	2.49%	1182	3.32%
Aug-11	74.1500	74.3500	73.5650	73.6850	-0.52%	707	190.95%	591	556.67%

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
06/14/2011 14:00	UK	CPI (MoM)	MAY	0.20%	1.00%
06/14/2011 14:00	UK	CPI (YoY)	MAY	4.50%	4.50%
06/15/2011 14:00	UK	Jobless Claims Change	MAY	6.5K	12.4K

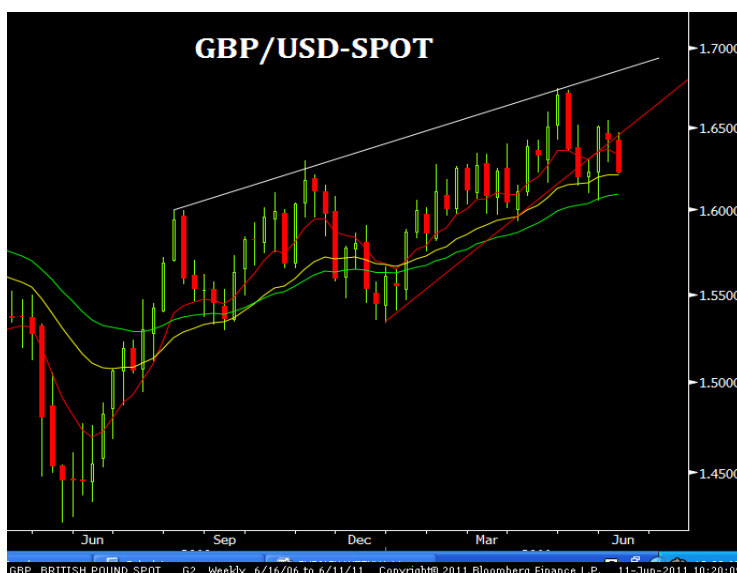
Outlook

For the coming week we can see the pound trade in a narrow range having a negative bias. It can find support as the revised economic data can come in the positive side. The major concern for the market would be on the BOE announcement of Rates. The market will take cues from it and might trade accordingly. For the week we expect the Pound to gain in the beginning and then respond according to the BOE's statement on interest rates.

Technical analysis:- The break out on the lower side suggests GBP/USD chart is forming a wedge pattern but it's too early to describe such pattern.

Nevertheless, the week gone by has been really bearish for this pair as it ended at \$1.6227 down by 1.20 per cent. Now, market has breached short term 8-week EMA and holding support at 21-week EMA at \$1.6200 levels. Only on break of the same may see prices taking correction till \$1.6100 and then \$1.6000 levels. Likewise, on the higher side the resistance could be seen at \$1.6330/1.6340 levels. We believe the chart pattern and the candle stick behavior suggest this currency pair to trade lower in the coming week.

Recommendation: Sell at \$1.6325/1.6340 TP \$1.6230 SL above \$1.6400





USD/JPY

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
JPYINR – MCX-SX	Jun-11	55.5733	55.7517	55.9350	56.1667	56.4033	SIDEWAYS
JPYINR – NSE	Jun-11	55.5733	55.7517	55.9275	56.1667	56.4033	SIDEWAYS
USD/JPY	SPOT	78.677	79.823	80.2800	81.63	82.757	SIDEWAYS

The Week Ahead:

- Economic Data, Nato's Steps to be closely watched
- Weaker Equity markets to drive the Yen sentiment

Fundamental Review

The yen gained against the USD for a major part of the week as negative economic data from the US weakened the dollar against most of its counterparts. The Prime minister winning the confidence vote also helped the yen's cause. The risk aversion was on the rise as major emerging markets like China, Korea and India reported lower economic growth. The Yen went on to hit a new monthly low of 79.69 but retraced from there to close the week with a mild loss of 0.08%. The Yen gave a close at 80.34 an appreciation of 0.57 percent on a weekly basis.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	55.8100	56.2250	55.8100	55.9300	0.20%	96778	18.19%	82049	59.37%
Jul-11	56.4875	56.4875	55.6075	56.1750	0.31%	11520	179.14%	16527	193.08%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Jun-11	55.9500	56.1975	55.8225	55.9275	0.25%	94256	68.13%	21379	18.94%
Jul-11	56.1000	56.4075	55.5550	56.1800	0.39%	12706	263.76%	5675	189.25%
Aug-11	56.3500	56.5975	56.3500	56.3500	0.18%	300	229.67%	2.431372549	243.14%

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
06/14/2011 10:00	JN	Industrial Production (MoM)	APR F	--	1.00%
06/14/2011 10:00	JN	Industrial Production YOY%	APR F	--	-14.00%
06/14/2011	JN	BOJ Target Rate	14-Jun	0.10%	0.10%

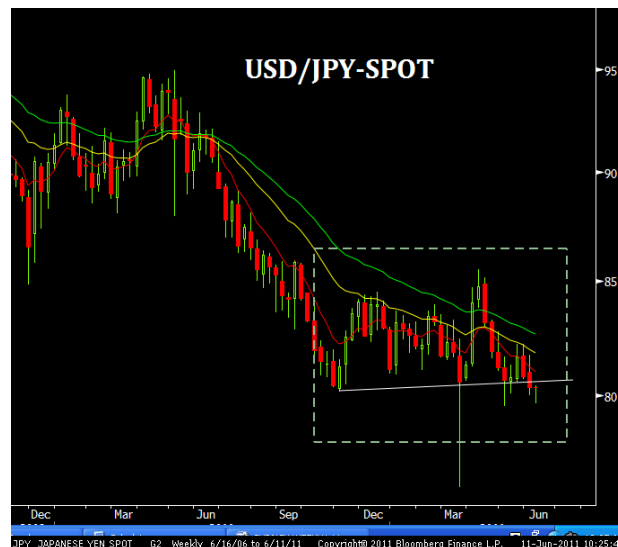
Outlook

The Japanese Yen continue to gain ground against most of its major counterparts in the past week. The low-yielding currency may appreciate further in the week ahead as market participants scale back their appetite for yields. As the shift in risk-taking takes hold, we are likely to see carry trade interest deteriorate further in the days ahead, and the drop in trader sentiment should continue to prop up the Yen. However, as the USD/JPY goes near its lows, speculation for another currency intervention could resurface over the near-term, and the Bank of Japan may step up its efforts to balance the risks for the region as the economy faces a double-dip recession.



Technical analysis Although the currency pair traded lower but towards ending it recovered a tad and closed at 80.32, weekly low: 79.70 levels. Market has been trading in a down trend and we do not see any kind of reversal as of now. However, the weekly candle stick pattern suggests market might take a smart pullback if it breaches previous week's high. Hence, the resistance point can be seen at 80.47/80.53 range. Only on break of the same may see an extended up move till 80.80/81.0. However, this ca not be confirmed yet. Likewise, the supports could be seen at 79.70 then 79.40. Looking at the above analysis we believe this currency pair to remain sideways or range bound for the coming week.

Range: Resistance: 80.70 then 81.00, Support: 79.70, 79.40



Major economic events for the week

Date Time	Region	Event		Survey	Prior
06/14/2011 07:30	CH	Producer Price Index (YoY)	MAY	6.50%	6.80%
06/14/2011 07:30	CH	Consumer Price Index (YoY)	MAY	5.50%	5.30%
06/14/2011 07:30	CH	Retail Sales (YoY)	MAY	17.00%	17.10%
06/14/2011 07:30	CH	Industrial Production (YoY)	MAY	13.10%	13.40%
06/14/2011 10:00	JN	Industrial Production (MoM)	APR F	--	1.00%
06/14/2011 10:00	JN	Industrial Production YOY%	APR F	--	-14.00%
06/14/2011 14:00	UK	CPI (MoM)	MAY	0.20%	1.00%
06/14/2011 14:00	UK	CPI (YoY)	MAY	4.50%	4.50%
06/14/2011 18:00	US	Producer Price Index (MoM)	MAY	0.10%	0.80%
06/14/2011 18:00	US	Advance Retail Sales	MAY	-0.50%	0.50%
06/14/2011 19:30	US	Business Inventories	APR	0.90%	1.00%
06/14/2011	JN	BOJ Target Rate	14-Jun	0.10%	0.10%
06/15/2011 14:00	UK	Jobless Claims Change	MAY	6.5K	12.4K
06/15/2011 18:00	US	Consumer Price Index (MoM)	MAY	0.10%	0.40%
06/15/2011 18:00	US	Consumer Price Index (YoY)	MAY	3.40%	3.20%
06/15/2011 18:00	US	Empire Manufacturing	JUN	12.65	11.88



Currency Weekly



A Comprehensive Report

06/15/2011 18:30	US	Total Net TIC Flows	APR	--	\$116.0B
06/15/2011 18:30	US	Net Long-term TIC Flows	APR	\$35.0B	\$24.0B
06/15/2011 18:45	US	Industrial Production	MAY	0.20%	0.00%
06/15/2011 18:45	US	Capacity Utilization	MAY	77.00%	76.90%
06/15/2011 19:30	US	NAHB Housing Market Index	JUN	16	16
06/16/2011 14:30	EC	Euro-Zone CPI (MoM)	MAY	0.00%	0.60%
06/16/2011 18:00	US	Initial Jobless Claims	11-Jun	420K	427K
06/16/2011 18:00	US	Continuing Claims	4-Jun	3670K	3676K
06/16/2011 18:00	US	Housing Starts	MAY	545K	523K
06/16/2011 18:00	US	Housing Starts MOM%	MAY	4.20%	-10.60%
06/16/2011 18:00	US	Building Permits	MAY	557K	551K
06/16/2011 18:00	US	Building Permits MOM%	MAY	-1.20%	-4.00%
06/16/2011 18:00	US	Current Account Balance	1Q	-\$130.0B	-\$113.3B
06/17/2011 14:30	EC	Euro-Zone Trade Balance sa	APR	-2.7B	-0.9B
06/17/2011 19:25	US	U. of Michigan Confidence	JUN P	74	74.3
06/17/2011 19:30	US	Leading Indicators	MAY	0.30%	-0.30%

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