July 25, 2011

Global economic review

Economic performance:

The agreement on the Greek bailout package boosted the sentiments across all major asset classes. The Asian and European regions, gaining the most. The greenback saw a decline as a result the bailout, and weakened further amidst fears that there would be no result on the debt ceiling issue soon. The Equity markets rallied following the news. European stocks climbed this week, snapping two weeks of losses, as euro-region leaders agreed on a second bailout package for Greece in a bid to end the region's debt crisis. France's CAC 40 advanced 3.1 percent, the U.K.'s FTSE 100 gained 1.6 percent and Germany's DAX gained 1.5 percent. The Asian peers were also not far behind as the MSCI Asia Pacific Index rose 2.5 percent to 139.04 this week. On the currencies front the Euro rallied more than 1.5% in the past week. Asian currencies also finished with weekly gains. On the commodities space Gold hit a life time high, as both gold and silver posted weekly gains. Crude also gained on a weekly basis.

CROSS	LAST	1 week ago	% Change
USDINR	44.36	44.52	-0.37
EUROINR	63.93	63.01	1.46
GBPINR	72.29	71.82	0.66
JPY (100) Futures	56.48	56.26	0.39
MYR	14.91	14.81	0.67
SGD	36.70	36.51	0.52
DOLLAR INDEX	74.20	75.13	-1.23

CROSS	LAST	1 week ago	% Change
EURUSD	1.44	1.42	1.43
GBPUSD	1.63	1.61	1.02
USDJPY	78.54	79.13	-0.75
USDCAD	0.95	0.95	-0.55
USDCHF	0.82	0.82	0.49
USDSEK	6.33	6.49	-2.42

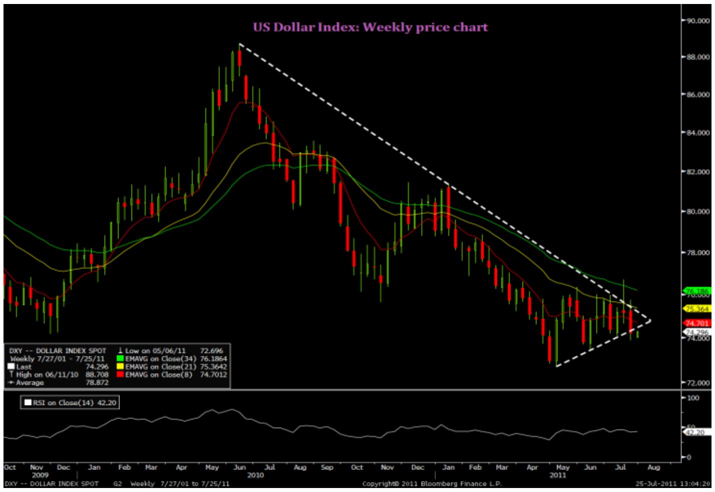
Major events:

- Gold , Silver post weekly gains, Crude oil recovers with more than 1.5 percent gain
- The Bloomberg-JPMorgan Asia Dollar Index rose to 14 year high
- Major Global Equity markets posted Weekly gain

Dollar Index

Currency	S2	S1	Close	R1	R2	Recommendation
Dollar Index	73.013	73.637	74.201	74.937	75.613	Sell at 74.50-74.60 target: 73.88 then 73.60 SL above 75.00

TECHNICAL SNAPSHOT:



Last week's US Dollar index performance was though volatile but ended on a lower note at 74.201, off weekly low 73.889 levels. Market broke past its short term averages that are suggesting the bearishness is still intact having weekly RSI-14 at 0.41. Drawing a down slope trend line also suggests market to remain weak in the short term. Meanwhile, it has broken its lower trend line which was making higher lows since its previous swing low of 72.696. Above write up is clearly depicted in the weekly price chart. Certainly, a pullback is inevitable; perhaps market may test its pivotal point at 74.61 levels to create a selling zone. Market making a pullback until pivotal point is looking logical as in the daily chart current prices are far from the averages hence a mean deviation can be expected. The most important point is noticed that daily and the weekly RSI-14 is treading almost nearby at 0.41 to 0.42 suggesting market still has potential to move down.

USD/INR

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
USDINR MCX-SX	Aug-11	44.6167	44.6358	44.6550	44.6708	44.6867	Range 44.40-44.85
USDINR NSE	Aug-11	44.6258	44.6392	44.6525	44.6667	44.6808	Range 44.40-44.85

The Week Ahead:

- Rupee to remain slightly negative to range bound for the coming week
- Month end dollar buying by Domestic OMC and Importers to limit the gains
- Crude Oil Movement to impact rupee's move in coming week

Fundamental Review

The rupee posted a second weekly loss after two consecutive gains. Demand from oil importers weighed on the Indian unit. Oil is India's biggest import item and oil refiners are the largest buyers of dollars in the local market. Crude rallied more than 1.5% on a weekly basis. The Greek bailout helped the rupee give up most of its losses and close slightly in the negative. The domestic equity markets also closed with a weekly gain but these were also not enough to bring the rupee out of its loss. The nifty ended at 5634 with a weekly gain of 0.94 percent. The Rupee ended the week with a loss of 0.35 percent to close at 44.35

The one-month onshore forward premium was at 22.50 points from 23.50, while the three-month was at 70.25 points from 70.75 and the one-year was at 231 points versus 235.25. One-month offshore non-deliverable forward contracts were quoted at 44.71, 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 44.6550, while those on the United Stock Exchange was at 44.6525. The total volume was at $09.55 billion.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	44.6325	44.6675	44.6325	44.6550	0.07%	45282	-95.12%	2341514	39.27%
Sep-11	44.8000	44.8925	44.8000	44.8800	0.07%	971	-98.80%	393961	5.72%
Oct-11	45.1200	45.1300	45.1125	45.1125	0.07%	526	-98.30%	157019	14.60%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	44.6500	44.6675	44.6400	44.6525	0.10%	78724	-94.62%	1301883	23.50%
Sep-11	44.8675	44.9000	44.8675	44.8800	0.09%	3551	-97.90%	164481	12.12%
Oct-11	45.1200	45.1200	45.0525	45.1200	0.07%	230	-99.62%	54705	10.14%

Outlook

The past week saw the rupee close with a weekly loss of 0.35 percent, backed by dollar demand by importers and domestic OMC's. On the Economic data front, in the coming week from the US; data are expected to come in negative. Talking about the US GDP it is expected to decline from 1.90% to 1.80% according to a Bloomberg survey. This fall could be attributed to the fall in personal consumption along with a rise in unemployment claims which have a subjective correlation with the GDP. From Europe and UK the data are expected to come in mixed. The second Quarter UK GDP is also expected to contract.

On the domestic front we have the RBI monetary meet on the July 26, where this time we expect the central bank to keep the rates unchanged. This move could be undertaken as the borrowing costs have already at peak levels and the previous monetary tightening has not brought any respite to the ever rising inflation which now stands at 9.66%. So, overall we expect the rupee to trade in a range for the coming week with fresh triggers coming only after the monetary policy meet.

Major Economic data for week ahead

Date Time	Region	Event		Survey	Prior
07/26/2011 12:00	IN	RBI Monetary Policy	JUN		

TECHNICAL SNAPSHOT

Last week we saw the rupee trade majorly in a range. The rupee has been in a strict range for a major part in the month of July. For the coming week we might expect the same sideways move. We might see further advancement on this currency however; a stringent technical trend line can be seen around 44.7500 levels. If market breaches this resistance we may see prices moving higher. We believe market may find tough resistance to crack down hence correction from higher levels can be suggested.

The supports can be seen at 44.45 and then 44.30 levels. Market is also ensnared between short term averages suggesting a sideways to move for this week.

We believe USD/INR to trade in the range of 44.40 to 44.85 for the week.

EUR/USD

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
EURUSD	SPOT	1.4040	1.4190	1.4350	1.4420	1.4540	Buy $1.4280/1.4290 TP $1.4480 SL 1.4190
EURINR – MCX-SX	Aug-11	63.9650	64.0175	64.0700	64.1375	64.205	Buy 63.80-85 TP 64.60/64.94 SL 63
EURINR – NSE	Aug-11	63.9975	64.0325	64.0675	64.1075	64.3858	Buy 63.80-85 TP 64.60/64.94 SL 63

The Week Ahead:

- Euro to remain range bound with a positive bias
- US debt ceiling decision to directly impact the Euro
- Economic Data to be mixed for Euro

Fundamental Review

After falling for two consecutive weeks the Euro bounced back this week to gain more than 1.5% on a weekly basis. The Greek bailout approval by the EU ministers boosted the single currency as well as the European equity markets. The ministers have settled on a 159 Bn Euro's bailout package for Greece. The dollar fell against the Euro on fears that the Barack Obama the US president would be able to convince the republicans on the debt ceiling issue. The single currency was boosted as demand for safe heaven asset increased. The euro gained by 1.42 percent to $1.4353, from $1.4150 on a weekly basis.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	64.0500	64.1525	64.0325	64.0700	-0.07%	2860	-98.18%	83620	48.90%
Sep-11	64.3375	64.3550	64.2550	64.3250	-0.06%	148	-97.32%	11570	71.66%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	64.0450	64.1125	64.0375	64.0675	-0.07%	4237	-95.94%	33855	52.87%
Sep-11	64.2625	64.3550	64.2625	64.3550	-0.02%	10	-99.87%	3464	90.61%

Outlook

The Euro traded lower for major part of the week but to the end of the week it rallied after the Greek bailout package was passed and ended the week with gains of about 1.5%. For the time being the Euro zone has been able to defer the debt crisis and the focus has shifted to the US for its concerns on the Debt ceiling. On the Economic Data front data expectations are mixed from the Euro zone, from the US the data could come in the negative form. Going forward for the next week we expect the Euro to remain in a range with a positive bias with it taking direction from the US and its ability to handle the debt ceiling issue.

Economic data for week ahead

Date Time	Region	Event		Survey	Prior

07/27/2011 11:30	GE	Import Price Index (MoM)	JUN	-0.20%	-0.60%
07/27/2011	GE	Consumer Price Index (MoM)	JUL P	0.30%	0.10%
07/28/2011 13:25	GE	Unemployment Rate (s.a)	JUL	7.00%	7.00%
07/28/2011 14:30	EC	Euro-Zone Consumer Confidence	JUL F	-11.4	-11.4
07/28/2011 14:30	EC	Euro-Zone Economic Confidence	JUL	104	105.1
07/28/2011 14:30	EC	Euro-Zone Indust. Confidence	JUL	1.8	3.2
07/28/2011 14:30	EC	Euro-zone Services Confidence	JUL	9.2	9.9
07/29/2011 11:30	GE	Retail Sales (MoM)	JUN	1.70%	-2.80%

Technical analysis:

EUR/USD's rise from 1.3837 extended further to as high as 1.4437 last week but should have formed a temporary top there and retreated. Initial bias is neutral this week for some consolidations but another rise will remain mildly in favor as long as 1.4138 support holds. Focus is now on 1.4577 resistance. Decisive break there will indicate that correction pattern from 1.4939 has completed with three waves down to 1.3837. In such case, the larger up trend is likely resuming for 1.5 and beyond. Break of 1.4138 will in turn suggest that rebound from 1.3837 has completed and will turn bias back to the downside for this support instead. So the trend remaining positive we would be buyers for the Euro at lower levels

GBP/USD

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
GBPINR MCX-SX	Aug-11	72.5558	72.6167	72.6775	72.7217	72.7658	Sell 72.85 SL 73.40 TP 72.05-71.80
GBPINR NSE	Aug-11	72.5683	72.6267	72.6850	72.7217	72.7583	Sell 72.85 SL 73.40 TP 72.05-71.80
GBPUSD	SPOT	1.6130	1.6214	1.6301	1.6396	1.6440	Sell at $1.6345/1.6360 TP $1.6230 SL $1.6410

Fundamental Review

The Great Britain pound rallied against the US dollar in the past week as the data from the UK retail sales was positive, improving outlook for Britain's economy and currency. The sterling also rose following the greenbacks weakness globally. In the later part of the week it followed a major trend set by Euro. The pound gained by 1.53 percent on a weekly basis to give a close at 1.6304.

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	72.6000	72.7050	72.6000	72.6775	0.01%	510	-98.72%	32153	52.70%
Sep-11	73.9375	72.9000	72.8500	72.8500	0.50%	3	-34.04%	2619	53.34%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	72.6050	72.7000	72.6050	72.6850	0.03%	470	-98.55%	7434	77.51%
Sep-11	72.9500	72.9500	72.9075	72.9075	-0.03%	3	-99.65%	829	172.70%
Oct-11	73.4500	73.4500	73.4500	73.4500	0.27%	1	-98.95%	60	361.54%

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
07/26/2011 14:00	UK	GDP (QoQ)	2Q A	0.20%	0.50%

Outlook

The last week of July is relatively light on data, considering it comes after a week denoted by debt crisis pertaining to Greece and US. Nonetheless, main event on the docket that is considered significant will spark volatility among Sterling-based pairs. The second quarter GDP which is expected to decline will keep the pair volatile for the coming week. The lower growth forecast could bring a negative impact on the sterling. So for the coming week we could see the pound drift lower following the weaker GDP numbers.

Technical analysis

GBP/USD rose strongly to as high as 1.6339 last week and the sustained break of near term falling channel suggests that decline from 1.6746 has completed with three waves down to 1.5780. The corrective structure in turn argues that rise medium term rise from 1.4229 is not over yet. Initial bias remains on the upside this week for 1.6546 resistance this week. Break will affirm this bullish case and should send GBP/USD through 1.6746 resistance next. On the downside, below 1.6201 minor support will turn bias neutral and bring consolidations. So looking at overall picture we would remain sellers at higher levels for the coming week.

USD/JPY

Currency	Contract	S2	S1	Close	R1	R2	Recommendation
JPYINR MCX-SX	Aug-11	56.6717	56.7033	56.7350	56.7833	56.8317	BUY 56.25-35 TP 57.65-75 SL 55.85
JPYINR – NSE	Aug-11	56.6817	56.7008	56.7008	56.7583	56.7967	BUY 56.25-35 TP 57.65-75 SL 55.85
USD/JPY	SPOT	76.723	77.677	78.52	79.327	80.823	Sell 78.85-95 TP77.25 SL 79.45

The Week Ahead:

- Economic Data, risk aversion to guide Yen
- Weaker Equity markets to drive the Yen sentiment

Fundamental Review

The yen advanced 0.75% against the greenback this week as the dollar came under pressure on concerns over the looming debt limit deadline. The gains come on the back of haven flows accelerated by concerns over sovereign debt downgrades and the threat of defaults in Europe. The gain was somewhat controlled in the latter part of the week after the Greek bailout was approved. The Yen was among the favorites for safe haven assets after the Australian and New Zealand dollar gave up its gains. The Yen closed at 78.52 with a weekly gain of 0.75 percent

MCX-SX

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	56.7500	56.8000	56.7200	56.7350	0.10%	1151	-95.61%	79241	78.68%
Sep-11	56.9200	56.9500	56.8950	56.8950	0.08%	153	-79.82%	5375	94.46%

NSE

Contract	Open	High	Low	Close	% Change	Volume	% Change	Open Interest	% Change
Aug-11	56.7650	56.7775	56.7200	56.7200	0.07%	1586	-95.47%	26297	82.77%
Sep-11	56.8950	56.9250	56.8950	56.9250	0.15%	151	-92.16%	3534	58.12%
Oct-11	57.0000	57.0000	57.0000	57.0000	-0.05%	11	-96.64%	4.701754386	470.18%

Economic data for week ahead

Date Time	Region	Event		Survey	Prior
07/28/2011 05:20	JN	Retail Trade MoM SA	JUN	1.50%	2.40%
07/29/2011 05:20	JN	Industrial Production (MoM)	JUN P	4.50%	6.20%

Outlook

Looking ahead, the yen will be at the mercy of broader market sentiment as traders look for refuge in lower-yielding assets. Weaker-than-expected data will once again see increased pressure on the BoJ to act and could threaten the Yen's recent run. Yen is likely to give up some of its gains in coming week especially if the data disappoints. But it could be supported and could continue its gain if no concrete result is found in the US Debt ceiling issue.

Technical analysis

USD/JPY's break of 78.46 support last week suggests that recent decline from 85.51 has resumed. Initial bias remains on the downside this week and deeper fall should be seen to 100% projection of 85.51 to 79.56 from 82.22 at 76.27 and then 75.98 low. On the upside, break of 79.33 is needed to signal short term bottoming. The JPY is trading below major moving averages and has further downside. Now major resistances are coming at 79.33 and if fails to break it we can see further downside. So overall we remain bearish with a sell at highs strategies.

Major economic events for the week

Date Time	Region	Event		Survey	Prior
07/25/2011 18:00	US	Chicago Fed Nat Activity Index	JUN	-0.4	-0.37
07/25/2011 20:00	US	Dallas Fed Manf. Activity	JUL	-5.2	-17.5
07/26/2011 14:00	UK	GDP (QoQ)	2Q A	0.20%	0.50%
07/26/2011 19:30	US	Consumer Confidence	JUL	56	58.5
07/26/2011 19:30	US	Richmond Fed Manufact. Index	JUL	5	3
07/26/2011 19:30	US	New Home Sales	JUN	322K	319K
07/27/2011 11:30	GE	Import Price Index (MoM)	JUN	-0.20%	-0.60%
07/27/2011 16:30	US	MBA Mortgage Applications	22-Jul	- -	15.50%
07/27/2011 18:00	US	Durable Goods Orders	JUN	0.30%	1.90%
07/27/2011	GE	Consumer Price Index (MoM)	JUL P	0.30%	0.10%
07/28/2011 05:20	JN	Retail Trade MoM SA	JUN	1.50%	2.40%
07/28/2011 13:25	GE	Unemployment Rate (s.a)	JUL	7.00%	7.00%
07/28/2011 14:30	EC	Euro-Zone Consumer Confidence	JUL F	-11.4	-11.4
07/28/2011 14:30	EC	Euro-Zone Economic Confidence	JUL	104	105.1
07/28/2011 14:30	EC	Euro-Zone Indust. Confidence	JUL	1.8	3.2
07/28/2011 14:30	EC	Euro-zone Services Confidence	JUL	9.2	9.9
07/28/2011 18:00	US	Initial Jobless Claims	23-Jul	410K	418K
07/28/2011 18:00	US	Continuing Claims	16-Jul	3700K	3698K
07/28/2011 19:30	US	Pending Home Sales MoM	JUN	-2.00%	8.20%
07/29/2011 05:20	JN	Industrial Production (MoM)	JUN P	4.50%	6.20%
07/29/2011 11:30	GE	Retail Sales (MoM)	JUN	1.70%	-2.80%
07/29/2011 18:00	**US**	**GDP QoQ (Annualized)**	**2Q A**	**1.80%**	**1.90%**
07/29/2011 18:00	**US**	**Personal Consumption**	**2Q A**	**0.80%**	**2.20%**
07/29/2011 18:00	US	GDP Price Index	2Q A	2.00%	2.00%

07/29/2011 19:15	US	Chicago Purchasing Manager	JUL	60	61.1
07/29/2011 19:25	US	U. of Michigan Confidence	JUL F	64	63.8