


The Indian rupee was mostly stable against the US dollar last week despite the greenback was sold sharply against other major currencies on concern of US rating. The S&P Ratings agency Standard & Poor's warned the United States that its \$14.3 trillion debt is endangering the country's status as the world's most secure economy. S&P changed its outlook on the United States from "stable" to "negative," and the country's AAA rating is in jeopardy. The AAA rating allows the nation to borrow at cheap rates. A downgrade would drive up the cost of borrowing and throw into question the global role of the Treasury bond, long the most stable investment in the world.




The USDINR hovered within the range of 44.69 to 44.11 and closed at 44.18 in the interbank market. The Indian rupee took support on gain in local indices which gained on firm global market. The Dow and NASDAQ gained last week on better than expected earring by US corporate during the 1st quarter of 2011. The DJIA gained 165 points from last week's closing and 412 points plus from the low of 12094 after S&P rating comments.

The Euro and the GBP gained support from gains in respective local stocks. The GBP was supported by unexpected rise in retail sales data along with expectation of a positive GDP during the first quarter. Sales in March climbed 0.2 percent from last month, when they dropped 0.9 percent. The survey was for a 0.5 percent decline. EU data was moderate last week with major concern is on inflation. Market expects further rate hikes by the European central bank in coming months. The gain in EURUSD and GBPUSD was mostly on US dollar weakness last week while some with positive data from the European countries. The EURUSD rose above 1.46 and GBPUSD gained towards 1.66 last week. In Indian context, the EURINR April contract gained towards 64.80 levels and GBPUSD rose to 73.50 levels. The EURINR gained 59 paise and GBPINR gained 0.75 paise.

In Asian currency, the Japanese Yen also gained v/s the US dollar mostly on US dollar fundamental last week. The USDJPY dropped to 81.59 from a high of 83.26 to close at 81.93. The JPYINR April contract on MCX-SX rose 72 paise to close at 54.07.

### Outlook and Strategy for the week 25<sup>th</sup> April -29<sup>th</sup> April

<p><b>USDINR</b></p>  <p>Range- USDINR May MCXSX/ NSE 45.10-44.50</p>	<p>The Indian rupee sentiment is now focused on inflation. As per latest reading inflation is still above 8.5% which is a matter of concern for policy makers. As a matter of fact, market players have discounted some lower projection of GDP, compared to last 2-3 months. A rate hike is most likely by the RBI in coming meeting due on 3<sup>rd</sup> May, 2011. India's government sold special short-term bills to mop up cash for the first time in 11 months reflecting policy makers' urgency in battling inflation.</p> <p>From US perspective, key importance will be the FOMC policy meeting on Wednesday and then Bernanke's press conference shortly afterwards. In particular, markets will be focused on whether the Fed Chairman signals the end of QE2 in June as expected. If he fails to provide confirmation of this, or offer clear exit strategies, then it is likely the USD will face another rout in the near term. US GDP data for Q1 is due on Thursday, but it is already expected to be a soft print and therefore unlikely to salvage the USD's fortunes if Wednesday becomes a USD-bearish event.</p> <p>Technically, the pair is in a bearish trend, but taking strong support at 43.88 levels. In the futures market, the support is seen at 44.10 levels. A pullback is most likely before the FOMC meeting and we may see USDINR spot approaching 44.70-44.80 levels.</p>
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	<p>While a bearish US event along with expectation of rate hike by the RBI may pull down USDINR lower. The 44.70 is the resistance and above that maximum possible upside is seen till 45.00 levels. It is ideal for selling the pair in a level towards 45.00 marks.</p> <p>For May contract, a pullback towards 45.10 is ideal for selling. <b>Strategy:</b> Short at 45.05-45.10 targeting 44.50, 44.30: Take longs from 44.30 and hold for mild recovery.</p>
<p><b>EURINR</b></p>  <p><i>Correction expected from 65.50 In EURINR May</i></p>	<p>The Common currency gained sharply last week to 1.4650 on weak US fundamentals as mentioned above. The Euro data to be released this week suggest a positive Euro move. Industrial production for EU, German employment situation is expected to improve compared to previous month. Consumer inflation is expected to reach 2.7% from a reading of 2.6% earlier. From the US dollar side, a bearish FOMC event may push the EURUSD higher. However, rising yield of Portugal, Greece and Spanish bonds may put some corrective pressure.</p> <p>Technically, the EURUSD is in a bullish trend, while trading at overbought levels. The 1.48 is expected to be a major resistance for the major pair where some pressure can be felt. A correction towards 1.44-1.4350 is possible on a dollar positive FOMC event. We see a range of 1.4350 to 1.48 in EURUSD this week.</p> <p>From the EURINR perspective, 65.50 - 65.60 is the resistance for the May contract with support at 64.50 levels. Risky traders can look selling around 65.50 for a target of 64.50.</p>
<p><b>GBPINR</b></p>  <p><i>Correction expected from 74.60 in GBPINR May contract</i></p>	<p>The Cable performed well versus the US dollar while little down when traded against the Euro. The economic data such as retail sales and housing was better than expected. The GBPUSD rose to 1.66 levels on Friday, recovering from 1.6165. This week, UK GDP is expected to show positive reading which is already discounted in the market. Apart from UK GDP there is no major economic data due from UK side, and major direction will be provided by US and EU event. A major gain in the GBP is less likely on slower pace of response by the BOE towards the inflation. Inflation in the UK is now twice the targeting rate. Technically, the 1.67 is a critical resistance for GBPUSD which should put some corrective pressure. From the GBINR perspective, 74.40-74.60 is a stiff resistance level for the market. Short term traders can look for selling on a rally towards 74.60 levels ( GBPINR May)</p>
<p><b>JPYINR</b></p>  <p><i>Correction expected from 55.2-55.30 in May contract</i></p>	<p>The yen gained v/s the Indian rupee on USDJPY selling supported by stable USDINR during the later part of the week. The USDJPY is expected to correct towards 80.60-81.00 levels, a critical level for market. The BoJ is meeting this Thursday where monetary policy is expected to be ultra loose. The central bank is also expected to cut its forecast for real growth in fiscal 2011 to 0.8 % from 1.6 % as a result of a record earthquake on March 11. Data expected this week such as Retail trade, Nomura Purchasing managers Index, Industrial production are expected to show lower reading. We expect a decline towards 80.50-81.00 is ideal for buying USDJPY.</p> <p>From JPYINR perspective, 55.20-55.30 is ideal for selling this week.</p>

Weekly Economic Releases for 25<sup>th</sup>-29<sup>th</sup> Apr, 2011

Date	Currency	Event	GMT	EST5EDT	Consensus	Previous
25-Apr	USD	USD New Home Sales (MoM)	14:00	10:00	12.00%	-16.90%
26-Apr	JPY	JPY Retail Trade s.a. (MoM)	23:50	19:50	-5.40%	0.80%
26-Apr	JPY	JPY Retail Trade (YoY)	23:50	19:50	-6.10%	0.10%
27-Apr	EUR	EUR German GfK Consumer Confidence Survey	06:00	02:00	5.80	5.90
27-Apr	GBP	GBP Gross Domestic Product (YoY)	08:30	04:30		1.50%
27-Apr	GBP	GBP Index of Services (MoM)	08:30	04:30	0.20%	1.30%
27-Apr	GBP	GBP BBA Loans for House Purchase	08:30	04:30	30450.00	29923.00
27-Apr	GBP	GBP Gross Domestic Product (QoQ)	08:30	04:30		-0.50%
27-Apr	EUR	EUR Euro-Zone Industrial New Orders s.a. (MoM)	09:00	05:00	1.50%	1.20%
27-Apr	USD	USD MBA Mortgage Applications	11:00	07:00		
27-Apr	USD	USD Durable Goods Orders	12:30	08:30	2.20%	-0.60%
27-Apr	JPY	JPY Nomura/JMMA Manufacturing Purchasing Manager Index	23:15	19:15		46.40
27-Apr	JPY	JPY Industrial Production (MoM)	23:50	19:50	-10.60%	1.80%
28-Apr	EUR	EUR German Unemployment Change	07:55	03:55	-37K	-55K
28-Apr	EUR	EUR German Unemployment Rate s.a.	07:55	03:55	7.00%	7.10%
28-Apr	USD	USD Gross Domestic Product (Annualized)	12:30	08:30	1.80%	3.10%
28-Apr	USD	USD Initial Jobless Claims	12:30	08:30	395K	403K
28-Apr	USD	USD Continuing Claims	12:30	08:30	3680K	3695K
28-Apr	USD	USD Pending Home Sales (MoM)	14:00	10:00	1.50%	2.10%
29-Apr	EUR	EUR Euro-Zone Consumer Price Index Estimate (YoY)	09:00	05:00	2.70%	2.60%
29-Apr	EUR	EUR Euro-Zone Business Climate Indicator	09:00	05:00	1.40	1.41
29-Apr	EUR	EUR Euro-Zone Consumer Confidence	09:00	05:00	-11.40	-11.40
29-Apr	EUR	EUR Euro-Zone Economic Confidence	09:00	05:00	107.00	107.30
29-Apr	EUR	EUR Euro-Zone Unemployment Rate	09:00	05:00	9.90%	9.90%
29-Apr	USD	USD Personal Spending	12:30	08:30	0.50%	0.70%
29-Apr	USD	USD Chicago Purchasing Manager	13:45	09:45	68.50	70.60
29-Apr	USD	USD U. of Michigan Confidence	13:55	09:55	70.00	69.60

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