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CURRENCY CORNER

24th June 2009

CURRENCY COMMENT

60 MIN NSE JUNE USDINR

PERSPECTIVE

Recap: Overnight gains in dollar punctured Indian rupee at its open trade amid hefty buying in dollar led the unit drain to 48.90, the weakest trough since 15th May. However, better than expected recovery in Indian stock irrespective of weakness in asian peers and mild weakness in dollar overseas wary dollar bulls to unwind wide long positions that inturn helped rupee to lift to the day's high of 48.50. Further, at spot market major participation came from exporters, who en-cashed wholesale dollars into rupee, perceiving a further downfall in dollar. Dollar-rupee forward premiums across all tenors moved in a narrow range of 1.08-1.11. However at close the one year forward premium scaled up higher to 1.10 from the day's low of 1.08. **View:** Overnight, the dollar index fell sharply nearly 1.25 percent after global risk sentiment turned positive again, sending greenback to succession of multi-week lows against currencies such as euro, yen, Swiss franc. In euro zone, latest German consumer confidence and euro-zone purchasing managers` surveys supported the risk appetite. Although the Fed committee is widely expected to leave the rates unchanged but its policy statement could contain hints of its outlook for the economy. At home, we widely expect Indian rupee to follow the suit where the major currencies are heading. USDINR (june) is likely to open around 48.38 and further seen downside till 48.25 vs which acts as a crucial support to the pair. While upside resistance is seen only above 48.75 since the pair had steepened sharply down from those levels. Traders should remain cautious since volatility both overseas and at domestic front has risen drastically since past few session.

CURRENCY METER

FACTOR DESCRIPTION	EFFECT ON RUPEE
Fundamentals: Poor start of monsoon in June and apprehensions of 51 percent below normal rainfall by the Meteorological Department could hurt growth, push up food prices and prompt more government spending to support farmers. The partially convertible rupee ended at 48.53/55 per dollar after falling to 48.90, its lowest since May 15, in early deals, to be stronger than Monday's close of 48.62/63. One-month offshore non-deliverable forward contracts were quoting at 48.65/48.75, weaker than the spot rate.	Negative
RBI Measures: **June 24**, It will sell 55 billion rupees of treasury bills and **June 26**, India will auction 150 billion rupees ($3.1 billion) of bonds. The bonds includes 60 billion rupees of 6.07 percent, 2014 bonds and 40 billion rupees of 7.94 percent, 2021 bonds and 30 billion rupees of 8.24 percent, 2027 bonds and 20 billion rupees of 7.4 percent, 2035. Banks parked 1.27 trillion rupees with the central bank on Tuesday, showing the current level of liquidity surplus.	Positive
Money Markets: The yield on the most-traded 6.07 percent 2014 bond ended at 6.61 percent, below Monday's close of 6.65 percent. The one-day cash rate closed at 3.25/30 percent, unmoved from its previous closing. Volumes in money market remain thin as total turnover in call market was merely 98.44 billion rupees and in CBLO it was 634.65 billion rupees.	Positive
Equity Markets: Although asian indices bear the brunt of heavy-sell off on vanishing risk appetite Indian shares rebounded from an early slide and ended little changed on Tuesday, propelled by gains in energy giant Reliance Industries and explorer Oil and Natural Gas Corp. BSE Sensex ended down 0.02 percent, or 2.21 points, at 14,324.01, after falling 2.2 percent at one stage.	Positive
Top Events: Euro zone`s service-sector preliminary purchasing managers index, a closely watched gauge of private-sector activity, dipped to 44.5 in June from 44.8 in May, well below the 45.8 reading expected by economists. Sales of previously owned homes in the United States rose at a slower-than-expected pace in May. The National Association of Realtors said sales rose 2.4 percent to an annual rate of 4.77 million units from a downwardly revised 4.66 million pace in April.	Positive

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CURRENCY MOVEMENT

	OPEN	HIGH	LOW	Close	CHG	Open Int	CHG	Volume	CHG
INR Future (JUN)	48.8400	48.9550	48.5400	48.5800	0.05	174082	NA	769809	NA
INR Spot	48.7375	48.9450	48.5025	48.5600	0.05				
1 Month Forward	48.8350	49.0900	48.5625	48.6000	0.24				
12 Month Forward	49.9750	50.3050	49.7500	49.7500	0.23				

FII INVESTMENT IN EQUITY

(RS CRORE)	GROSS PURC.	GROSS SALE	NET FLOW
23-Jun	1617	1814	-197

RBI FIXING RATES

CURRENCY	EURO	POUND	100 YEN
Rupee	68.3866	79.9325	50.8447

OTHER MARKETS

POINTS	CLOSE	CHANGE
Sensex	14324.01	-2.21
Nifty	4247	11.75
Dow Jones	8322.91	-16.10
Crude Oil ($/B)	69.24	-0.80
Gold ($/Oz)	924.3	0.60

ECONOMIC INDICATORS

COUNTRY	INFLATION	INT RATE	GDP	IND. PR.
India	-1.61	4.75	5.80	1.40
U.S.	-1.30	0.25	-5.70	-1.10
Europe	2.20	1.00	-4.10	-12.30
China	-7.60	5.31	6.10	8.90
Japan	-0.10	0.10	-14.20	-30.70

INDIAN DATA WATCH

DATE	DAY	LOCAL/GMT	EVENT	PERIOD	PREVIOUS	FORECAST
25-June-09	Thursday	1200/0630	WPI	13-Jun	-1.61 pct	--
26-June-09	Friday	1700/1130	Forex reserves	19-Jun	$263.6 bln	--

INTRADAY CALLS COVERED

DATE	RECO	RECO. PRICE	COVERING PRICE	GAIN/ LOSS	LOT SIZE	MRGN %	MRGN MONEY	PER CNTRCT	ROI (%)	TARGET ACHVD
USDINR (JUN)	Long	48.86	48.95	0.09	1000	4%	1954	90	4.60%	Booked
USDINR (JUN)	Short	48.92	48.84	0.09	1000	4%	1957	85	4.34%	Booked
USDINR (JUN)	Short	48.86	48.77	0.09	1000	4%	1954	95	4.86%	Booked
USDINR (JUN)	Long	48.68	48.63	-0.05	1000	4%	1947	-50	-2.57%	SL Trgd
USDINR (JUN)	Long	48.56	48.56	0.00	1000	4%	1942	0	0.00%	Cost

CURRENCY TEAM

ANAGRAM CAPITAL LTD
Bandra Kurla Complex, Bandra(E), Mumbai 400 051.
Regd. Office: Anagram House, H.L. Commerce Collage - Stadium Road, Navrangpura, Ahmedabad – 380 009.
www.anagram.co.in

NAME	DESIGNATION	EMAIL	TELEPHONE
Research Team			
Devarsh Vakil	Manager Research	devarsh.vakil@anagram.co.in	+91 79 3981 9985
Tina lodha	Research Analyst	tina.lodha@anagram.co.in	+91 79 3981 9897
Sales Team			
Ashish Buch	AVP Currency Derivatives	ashish.buch@anagram.co.in	+91 9227260005
Kashyap Darji	Manager Currency Derivatives	kashyap.darji@anagram.co.in	+91 9227260070

For any clarification and more information: Help Desk Toll free: 1800 233 1818

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