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Decisive Thinking Pays

CURRENCY CORNER

26th June 2009

CURRENCY COMMENT

30 MIN NSE JULY USDINR

PERSPECTIVE

Recap: The Indian rupee ended little changed against the U.S. dollar as exporters booked profits, limiting dollar gains on the back of rising month-end importer demand. Initially, rupee remained very choppy in the range of 48.49-48.56, as traders remain on sideline who failed to derive directional clues from stock market on account of derivative expiry. However the undertone remained negative for stock market after European markets started weak. While dollar jumped to the day's new high 80.90 as the CHF takes a tumble on suspected intervention. Pound hit the day's low while commodity currencies took a hit from dollar's strength. At forward front, USDINR forward premium rock steady amid two-way flows, with importer-led forward dollar purchases being absorbed by receiving interest from exporters. It closed at 1.08 vs 1.10 last close.

View: Asian share markets were higher Friday after a strong showing on Wall Street with higher base metal and gold prices helping commodity shares, while a rise in crude oil prices aided energy stocks. In currency markets the U.S. dollar was falling again: It was at Y95.63, from Y95.86 late in New York, with the euro up at $1.4040, from $1.3988. The single currency was also at Y134.24, from Y134.01. While Asian currencies seem to retreat amid weakness in dollar paves way for stocks to rally. Today, USDINR (july) contract is likely to slip at start to 48.60 vs last close of 48.75. Decline in the pair to 48.52, would add bearish tips for a while. While upside resistance seen limited 48.85 and 48.99.

CURRENCY METER

FACTOR DESCRIPTION	EFFECT ON RUPEE
Fundamentals: India's wholesale prices fell less than expected in mid-June from a year earlier, marking a build-up in price pressures as the economy picks up and the effect of past sharp falls in energy prices wears off. The wholesale price index fell 1.14 percent in the 12 months to June 13, compared with analysts' median forecast of a 1.69 percent drop and the previous week's 1.61 percent decline. India's central bank will announce its quarterly monetary policy on, July 28. The partially convertible rupee ended a choppy session at 48.595/605 per dollar, just below Wednesday's close of 48.56/57.	Positive
RBI Measures: **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 1.18 trillion rupees with the central bank on Wednesday, showing the current level of liquidity surplus.	Positive
Money Markets: Indian federal bond yields fell from their highs to end almost steady on Tuesday, with excess cash in the banking system generating demand even as inflation data showed signs of emerging prices pressures. The yield on the most traded 6.07 percent 2014 bond ended at 6.53 percent, one basis point below Wednesday's close. It had risen to 6.59 percent after inflation data showed while prices fell in annual terms, they were rising on a weekly basis. The yield on the 10-year benchmark bond, which registered only 35 deals, was at 7 percent, one basis point above its previous close.	Positive
Equity Markets: Indian shares had risen as much as 1.1 percent in morning trade on short-covering on the last day of monthly derivatives contracts, however there was not much fresh buying after the expiry. Indian shares shed 0.5 percent on Thursday, after a below-normal monsoon forecast triggered demand in the rural sector. BSE Sensex ended down 0.53 percent, or 77.11 points, at 14345.62	Neutral
Top Events: The number of U.S. workers filing new claims for jobless benefits unexpectedly rose last week and the number staying on the rolls after collecting an initial week of aid also edged higher. Initial claims for state unemployment insurance increased by 15,000 to a greater-than-expected seasonally adjusted 627,000 from a revised 612,000 the week before. Continued claims, which measures people still on jobless aid after an initial week of benefits, increased by 29,000 to 6.738 million in the week ending June 13. The U.S. economy shrank slightly less in early 2009 than previous. Gross domestic product, which measures total output within U.S. borders, dropped at a 5.5 percent annual rate in the first quarter after shrinking 6.3 percent in the fourth quarter of last year and 0.5 percent in the third quarter	Mixed

CURRENCY MOVEMENT

	OPEN	HIGH	LOW	Close	CHG	Open Int	CHG	Volume	CHG
INR Future (JULY)	48.5625	48.8375	48.5625	48.7600	NA	157489	NA	676710	NA
INR Spot	48.5325	48.7250	48.4775	48.6075	NA				
1 Month Forward	48.5100	48.8900	48.3950	48.6000	NA				
12 Month Forward	49.5950	49.9700	49.5150	49.7000	NA				

FII INVESTMENT IN EQUITY

(RS CRORE)	GROSS PURC.	GROSS SALE	NET FLOW
25-Jun	1603	2204	-601

RBI FIXING RATES

CURRENCY	EURO	POUND	100 YEN
Rupee	68.2058	79.7844	50.6166

OTHER MARKETS

POINTS	CLOSE	CHANGE
Sensex	14345.62	-77.11
Nifty	4241.85	-51.10
Dow Jones	8472.4	172.54
Crude Oil ($/B)	70.23	0.23
Gold ($/Oz)	939.5	2.70

ECONOMIC INDICATORS

COUNTRY	INFLATION	INT RATE	GDP	IND. PR.
India	-1.14	4.75	5.80	1.40
U.S.	-1.30	0.25	-5.50	-1.10
Europe	2.20	1.00	-4.10	-12.30
China	-7.60	5.31	6.10	8.90
Japan	-1.10	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)	Short	48.54	48.58	-0.04	1000	4%	1942	-40	-2.06%	SL Trgd
USDINR (JUN)	Long	48.58	48.65	0.07	1000	4%	1943	70	3.60%	Booked
USDINR (JUN)	Long	48.66	48.62	-0.04	1000	4%	1946	-40	-2.06%	SL Trgd

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