Anagram
Decisive Thinking Pays

27th June, 2009

Domestic Highlights

INDICATORS	26.06.09	19.06.09
FOREX RATES		
US DOLLAR	48.11	48.09
EURO	67.61	67.01
POUND	79.48	79.31
100 JAPANESE YEN	50.51	49.95
FWD PREMIA		
1 MONTH	2.99	3.33
3 MONTH	2.90	3.21
6 MONTH	2.69	2.85
12 MONTH	2.43	2.48
INDICATORS		
INFLATION	-1.14	-1.61
FOREX RESERVE ($bn)	263.65	263.64
OVERNIGHT RATES		
NSE O/N MIBOR	3.28	3.28
CALL RATE	3.25	3.25
CBLO RATE	1.17	1.17
REPO RATE	4.75	4.75
TERM MONEY RATE		
NSE 14 DAY MIBOR	3.56	3.47
NSE 1 M MIBOR	3.91	3.97
NSE 3 M MIBOR	4.69	4.78
SHORT TERM PAPER		
90-DAY COMM. PAPER	5.25	5.22
CUT OFF YIELD		
91 DAY TBILL	3.36	3.36
182 DAY TBILL	3.59	3.59
364 DAY TBILL	3.99	3.99

WEEKLY DEVELOPMENTS

- India's steel imports rose nearly 5 percent in the month of Arpil and May to 926750 tonnes. The rise in imports was mainly due to Imports of flat products, used in automobiles and white goods. It had gone up 6 percent from a year earlier to 773480 in two months. Imports from Russian and Ukraine grew an annual 95 percent and 55 percent respectively, but imports from China fell by 88 percent.
- Indian refiners processed 3.02 million barrels per day (bpd) crude oil in May, down 4.3 percent from a year ago. Crude oil output during the month was down 4.3 percent at 658,000 bpd.
- India's Planning Commission has recommended to the finance ministry to increase states' borrowing limit by another 0.5 percentage point to 4 percent of state gross domestic product. Also it had advised to allow a change in the borrowing needs to align fiscal deficit to comfortable level.
- India's hopes of launching much-needed road, port and power projects may be deflated by a funding squeeze as government finances are constrained, long-term domestic money is scarce and battered overseas investors and lenders watch from the sidelines. Neither India's banking system nor the domestic institutions have the money to finance India's infrastructure needs. The firms want pension funds to invest up to 15 percent of their money in infrastructure projects and await cues from the approaching budget to be announced on July 6.
- The Indian government may unveil a roadmap in its July 6 budget to deregulate fuel pricing and give leeway to state-run oil refiners to fix petrol and diesel prices within a band.
- Indian federal bond yields fell for a second day on Friday but long bond yields rose over the week as traders worried about the government's borrowing plans for the fiscal year. The 10-year yield is up six basis points this week and 29 basis points so far this month.

Events to Watch:

- **Jul 01**: The government will auction 20 billion rupees of 91-day treasury bills and 10 billion rupees of 364-day treasury bills.

Government Borrowing Programe

Particulars	Amount
BUDGETED BORROWINGS	388000
GROSS BORROWING COMPLETED	168000
- DATED	162000
- 364 DAY T-BILLS	6000
% OF BORROWING COMPLETED	42
BALANCE BORROWING	220000
NET BORROWING TILL DATE	105911

Particulars	Amount (Rs.Cr)
MSS OUTSTANDING	23273
OMO Purchases in 2009-10	28189
FOURTHCOMING AUCTION	(RS Crore)
DATE	01-Jul-2009
PAPERS ON OFFER	91 Day & 364 Day TBills
NOTIFIED AMT	6000

RBI CORNER

(Amt in Rupees crore, Rate in per cent)

DATE	STANDING LIQUIDITY SPECIAL REFINANCE	BALANCE	RATE	REPO 1DAY	RATE	14/15 DAY	RATE	1/2/3 MNTH SWP	RATE	REVERSE REPO 1DAY	RATE
25/06/09	0	400	4.75	0	4.75	0	4.75	480	4.75	110245	3.25
24/06/09	0	400	4.75	0	4.75	0	4.75	480	4.75	117965	3.25
23/06/09	0	400	4.75	0	4.75	0	4.75	480	4.75	127180	3.25
22/06/09	0	400	4.75	0	4.75	0	4.75	480	4.75	124740	3.25

* Refers to 2Day, # Under Special term repo facility.

FOREIGN EXCHANGE RESERVES

in million US Dollar

RESERVES	19.06.09	12.06.09	20.06.08
FOREIGN CURRENCY ASSETS	252808	252798	302744
GOLD	9604	9604	9202
SDRs	1	1	11
RESERVE TRANCHE POSITION	1239	1241	524
TOTAL	263652	263644	312481

TECHNICAL PERSPECTIVE

LAST TRADES

CURR	OPEN	HIGH	LOW	CLOSE	CHG
USDINR Spot	48.46	48.57	48.10	48.12	-1.01%
USDINR (July)	48.61	48.69	48.25	48.28	-0.98%

30 MIN USDINR (July)

View

Recap: Despite a weak start, Indian rupee managed to close almost steady against its previous week's close after it fell to 48.94 on 23rd June. Heavy demand for dollars from oil importers and lack of clarity from equity markets worked as catalyst to keep Indian rupee down. However, later in the week improvement in the market sentiments and sturdy performance by Indian equities that climbed 1.7 percent supported rupee to climb as much as 1 percent on Friday. At global front, later in the week, Dollar was slapped badly by its rivals on multiple sources- Lack of support from SNB which had intervened in the thrice in the week to weaken its franc, Treasury yields, revival of risk appetite and reserve currency fears. Euro still down 0.70 percent but pound has recovered significantly and gained overall 2 percent in the week.

Global Events: US financial markets will be closed on Friday, July 3 in observance of Independence Day.

Fundamental view: We expect Indian rupee to suffer extreme volatility ahead of the Budget outcome. However revival in risk appetite would add buying spree to the unit. However traders should remain cautious on release of crucial domestic data's that are on radar the next week. BOP and Current account balance for the last quarter to release on Tuesday, PMI and Trade balance on Wednesday. WPI on Thursday and Railway budget on Friday.

Technical View: Technically, USDINR (July) contract would expect a pull back next week but relative to a drastic fall below 48.00, Weekly trading range for the pair lies between 47.80 and 48.60. Since downside in the pair is seen limited to 47.80, our bias is to buy on dips. But intra-day traders can sell on peak. We see key immediate resistance at 48.44 and 48.70.

Global Highlights

Tenor Rates

TENOR	MIFOR	USD LIBOR	EURO LIBOR	GBP LIBOR	JPY LIBOR
1 MONTH	3.53%	0.31%	0.76%	0.66%	0.23%
3 MONTH	3.69%	0.60%	1.12%	1.20%	0.46%
6 MONTH	3.92%	1.10%	1.33%	1.42%	0.69%
12 MONTH	4.12%	1.59%	1.52%	1.70%	0.87%

Major Currencies

CURR	OPEN	HIGH	LOW	CLOSE	CHG
EUR/USD	1.4163	1.4338	1.3749	1.4056	-0.72%
GBP/USD	1.6231	1.6662	1.5803	1.6525	2.08%
USD/JPY	95.33	98.89	94.45	95.18	-0.17%
EUR/JPY	134.93	139.22	131.43	133.85	-0.82%
USD/CHF	1.0655	1.1023	1.0591	1.0834	1.55%
EUR/CHF	1.5085	1.5380	1.5008	1.5230	0.87%
DXY	79.27	81.47	78.33	79.88	0.67%

Asian Currencies

CURR	OPEN	HIGH	LOW	CLOSE	CHG
USD/SGD	1.4551	1.4623	1.4513	1.4537	1.55%
USD/THB	34.13	34.24	34.03	34.04	1.55%
USD/KRW	1269	1292.5	1266.75	1284.25	1.25%
USD/CNY	6.8335	6.84	6.8316	6.8339	-0.04%
USD/MYR	3.536	3.554	3.5265	3.5371	0.14%
USD/IDR	10415	10625	10115	10230	-0.78%
USD/PHP	48.369	48.675	48.18	48.307	-0.20%
USD/TWD	32.861	32.977	32.827	32.917	0.16%
USD/HKD	7.7502	7.7511	7.7497	7.75	0.00%
USD/INR	48.1525	48.945	48.095	48.115	0.06%

Week Ahead

Date	Time (EDT)	Release	Period	Consensus	Previous
Monday	1030	Dallas Fed Mfg Survey	Jun	N/A	-21.5
Tuesday	900	S&P/Case Shiller 20-City Home Price Index (YOY)	Apr	-18.00%	-18.70%
	945	Chicago PMI	Jun	38	34.9
	1000	Consumer Confidence	Jun	56.2	54.9
Wednesday	815	ADP Jobs Survey	Jun	-430K	-532K
	1000	ISM Mfg PMI	Jun	44.9	42.8
	1000	Construction Spending	May	-0.80%	0.80%
	1000	Pending Homes Sales	May	-0.50%	6.70%
	N/A	Motor Vehicle Sales	Jun	10.0mln	9.9mln
Thursday	830	Nonfarm Payrolls	Jun	-369K	-345K
	830	Unemployment Rate	Jun	9.60%	9.40%
	830	Avg Hrly Earnings	Jun	0.10%	0.10%
	830	Initial Jobless Claims	Jun-27	620K	627K

US: The latest U.S. economic data underscored the conflicting signals the Fed faces. Orders for long-lasting factory goods rose 1.8% in May, the second consecutive month, and a gauge of capital spending by businesses surged. But, eventually US homebuilders got hurt from the bad news that new home sales fell unexpectedly in May. Single-family sales decreased 0.6% from the prior month to a seasonally adjusted annual rate of 342,000. Year-over-year, new-home sales were 32.8% lower than the level in May 2008. Initial claims for jobless benefits rose 15,000 to 627,000 in the week ended June 20. Economists had expected a 3,000 decline. The surprise gain, bringing claims to the highest level since May 16, was due in part to larger-than-expected layoffs in the education services sector. Real gross domestic product fell at a 5.5% annual rate in 1Q. A month ago, Commerce said GDP fell 5.7% in 1Q. Real GDP fell 6.3% in 4Q of 2008. U.S. consumer spending rose last month for the first time since February as government stimulus pushed incomes sharply higher, the Commerce Department said on Friday, supporting the view the economy was close to pulling out of recession. Consumer spending, which accounts for over 70 percent of U.S. economic activity, rose 0.3 percent in May after an upwardly revised flat reading in April, the department said.

Euro: In Europe, the ECB offered its banks unlimited one-year loans at 1%, its current policy rate. The move had been announced in May as part of efforts to ease the strain on credit markets and keep a lid on interest rates, but banks leapt at the cheap money. The ECB previously lent money to banks for up to six months.

Italy: Italy's trade surplus with non-EU countries rose sharply in May to EUR555 million, compared with a deficit of EUR1.77 billion in the same month of 2008. Both fall in imports, at a steepest rate since 1993 and drop in oil prices contributed to the rise in aforesaid surplus. Further, Italian business confidence rose for the third straight month in June to 69.3 from 68.8 as companies` production outlook has improved but there has been a significant rise in inventory levels which is matter of concern.

Japan: Japanese exports fell slightly more sharply in May than in the previous month on sluggish demand for cars, steel and electronic parts. The value of exported goods dropped 40.9% on the year in May, sharper than April`s 39.1% fall and marking the eighth straight month of declines. While Japan`s merchandize trade surplus slid 12.1% on the year to stand at Y299.8 billion in May. A substantial drop in oil prices, which were skyrocketing a year ago pulled Japan's core CPI at its fastest pace to 1.1 percent on year in May after falling 0.1 percent in April.

UK: U.K. house prices fell in June for the first time since January, even though the supply of new properties slowed sharply, due to the recession and restricted mortgage availability. According to its latest index, house prices in mid-June fell 0.4% on the month and were 5.5% lower on the year. That compares with a 2.4% monthly gain in May and a 6.2% drop on the year.

Emerging Markets: Global emerging markets funds saw net outflows of $1.87 billion in week to June 24, reversing trend lasting for months, on doubts over timing of global economic recovery, fund tracker EPFR Global says. Money market, U.S. bond funds absorbed $25.9 billion, $1.72 billion respectively; commodity, energy sector funds continued taking inflows of $4 million, $10 million respectively. Adds investors pulled $262 million out of China equity funds, biggest weekly outflow since March; "with foreign demand still weak and earnings under pressure, investors started kicking the tires a bit harder in mid-June.