CURRENCY CORNER

1st July 2009

CURRENCY COMMENT

30 MIN NSE JULY USDINR

PERSPECTIVE

Recap: Indian rupee gained on Tuesday despite weak local stocks, helped by strong inflows from institutional share placements. Weak stocks could have helped the dollar, but the relentless flow of dollars from institutional share placements by companies dragged it back to current levels. The partially convertible rupee ended at 47.90/91 per dollar, about 0.4 percent stronger than the previous close of 48.10/11. In early trade, it had hit 47.8350, its highest since June 17. On Fx side, during the session, Sterling hit an eight-month high against the dollar, while the U.S. currency came under pressure against the commodity currencies like Australian and New Zealand dollars as oil prices surged above $73 per barrel to hover near an eight-month high. The dollar index, which measures the dollar against a basket of six currencies, fell 0.2 percent to 79.680.

View: Asian stock markets were broadly lower on Wednesday, weighed by weakness on Wall Street and discouraging U.S. data. There was little impact from a slightly weaker-than-expected result from the Bank of Japan`s tankan survey. At home, Indian rupee is likely to appreciate initially at the local bousers with USDINR (july) tipped at 47.94. Intra-day trading range 47.90-48.22. Stock market cues would guide rupee's movement. Key resistance is at 48.20 and 48.38. While downside support is at 47.90 and 47.72.

CURRENCY METER

FACTOR DESCRIPTION	EFFECT ON RUPEE
Fundamentals: India eased overseas borrowing rules for firms on Tuesday to speed up work at infrastructure projects as the cash-strapped government tries to boost a slowing economy. The Reserve Bank of India (RBI) said the current account deficit for 2008/09 (April/March) widened to $29.82 billion, or 2.6 percent of gross domestic product (GDP) from 1.5 percent in the previous year. The current account was $4.75 billion in surplus in the March quarter, after a revised deficit of $13.03 billion in October-December. Also the balance of payments surplus in January-March was $300 million, compared with a deficit of $17.88 billion in the October-December quarter.	Very Positive
RBI Measures: July 1, The government will auction 20 billion rupees of 91-day treasury bills and 10 billion rupees of 364-day treasury bills. July 9. India's central bank will conduct the next auction-based open market operation to buy back bonds. The central bank absorbed 833.35 billion rupees through its two-day reverse repo auction on Tuesday, registering a fall below 1 trillion rupees for the first time since April 4.	Positive
Money Markets: Indian federal bond yields held steady on Tuesday as the market awaited a clear direction on government borrowing. The yield on the most traded 7.94 percent, 2021 bond closed at 7.25 percent, one basis point above Monday's close. The yield on the benchmark 10-year bond, which registered 54 deals, ended at 7.01 percent from its previous closing of 7 percent.	Neutral
Equity Markets: Indian shares fell 2 percent on Tuesday, but rallied by almost a half during April-June in their biggest quarterly gain in 17 years as investors rode on signs of an economic recovery and hopes for market-friendly policies.	Negative
Top Events: Oil fell more than 2 percent to below $70 a barrel on Tuesday after a steep drop in U.S. consumer confidence data in May added to concerns over a potential economic rebound. U.S. consumer confidence took an unexpectedly steep slide in June to 49.3 in June from 54.8 in May. While another data showed Business activity in New York City returned to contraction in June after briefly expanding in May. The National Association of Purchasing Management-New York said its index of local business conditions fell to 359.0 in June from 361.6 the previous month.	Positive

Anagram
Decisive Thinking Pays

CURRENCY MOVEMENT

	OPEN	HIGH	LOW	Close	CHG	Open Int	CHG	Volume	CHG
INR Future (JULY)	48.0675	48.1725	47.9375	48.0300	0.19	227041	-21664	801654	146192
INR Spot	47.9650	48.0600	47.8300	47.9050	0.20				
1 Month Forward	48.2450	48.2500	47.9100	48.1500	0.08				
12 Month Forward	49.3850	49.3850	49.0180	49.3500	-0.02				

FII INVESTMENT IN EQUITY

(RS CRORE)	GROSS PURC.	GROSS SALE	NET FLOW
30-Jun	2388	1991	397

RBI FIXING RATES

CURRENCY	EURO	POUND	100 YEN
Rupee	67.1993	78.7396	49.4510

OTHER MARKETS

POINTS	CLOSE	CHANGE
Sensex	14493.84	-291.90
Nifty	4291.1	-99.85
Dow Jones	8447	-82.38
Crude Oil ($/B)	69.89	0.64
Gold ($/Oz)	927.4	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
30-June-09	Tuesday	1700/1130	BoP	Jan-Mar	-$17.88 bln	--
30-June-09	Tuesday	1700/1130	Current a/c	Jan-Mar	-$14.64 bln	--
01-July-09	Wednesday	1200/0630	PMI data	June	55.7	--
01-July-09	Wednesday	1200/1130	Trade balance	May	-$5 bln	--
02-July-09	Thursday	1200/0630	Economic Survey for 2008/09			--
02-July-09	Thursday	1200/0630	WPI	Jun-20	-1.14 pct	--
03-July-09	Friday	1100/0530	Railway Budget for 2009/10			--
03-July-09	Friday	1700/1130	Forex reserves	Jun-26	$263.7 bln	--
03-July-09	Friday	1700/1130	M3 money supply	Jun-19	20.2 pct	--
03-July-09	Friday	1700/1130	Bank Credit	Jun-19	15.7 pct	--

INTRADAY CALLS COVERED

DATE	RECO	RECO. PRICE	COVERING PRICE	GAIN/ LOSS	LOT SIZE	MRGN %	MRGN MONEY	PER CNTRCT	ROI (%)	TARGET ACHVD
USDINR (JUL)	Long	47.96	48.06	0.10	1000	4%	1918	100	7.78%	Achieved
USDINR (JUL)	Long	48.04	48.12	0.08	1000	4%	1922	80	4.14%	Booked
USDINR (JUL)	Long	48.14	48.10	-0.04	1000	4%	1926	-40	-2.08%	SL Trgd

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