CURRENCY CORNER

Anagram
Decisive Thinking Pays

7th July 2009

CURRENCY COMMENT

30 MIN NSE JULY USDINR

PERSPECTIVE

Recap: The Indian rupee fell 1.4 percent on Monday, its biggest one-day drop in three months, after the government budget projected a higher-than-expected fiscal deficit target and sent shares sliding nearly 6 percent. Indian stocks were hammered in the afternoon as investors expressed disappointment on the budget that was projected to further stretch the country`s fiscal deficit. Weaker Asian peers add to bearish sentiment. On Fx side, Risk aversion swept through the currency markets in Europe, taking the dollar higher against most other major currencies - barring the yen. There had been deep sell-off in sterling that notched nearly 1.4 percent against dollar since it was the hardest hit amongst all. Its weakness displayed a combination of higher risk aversion as well as expectations that the Bank of England will extend quantitative easing and that the government will have difficulty imposing fiscal discipline on its large public sector. At home, USDINR one year forward premium rose to 1.12 but closed almost steady at 1.09 vs previous close of 1.08.

View: Tuesday, FX majors have sticked to tight ranges in early trade, with USD/JPY at 95.31 vs 95.35 late in NY, EUR/USD at 1.3956 vs 1.3980, EUR/JPY at 132.99 vs 133.34. Stocks have mixed cue from Wall Street, but might be some reaction to large overnight fall in Nymex crude oil. RBA decision awaited while July 8-10 G8 meeting eyed for FX diversification debate. Also, caution prevails ahead of U.S. 2Q earnings season starting tomorrow. At home, Indian rupee is likely to open flat at 48.56, However might see a range bound session 48.64-48.48 early session. Key reisistance seen at 48.72 and 48.85 and support is at 48.36 and 48.22. Intra-day trading range is 48.40-48.72. RBI intervention is quite possible on upside to smoothen volatility.

CURRENCY METER

FACTOR DESCRIPTION	EFFECT ON RUPEE
Fundamentals: Finance Minister Pranab Mukherjee said the fiscal deficit for 2009/10 was expected to rise to a 16-year high of 6.8 percent of gross domestic product from 6.2 percent in the last fiscal year.The partially convertible rupee closed at 48.56/59 per dollar, its lowest close in more than one week and well off Friday's 47.89/91. The unit fell as far as 48.57 during trade, its lowest since June 25.	Negative
RBI Measures: July 10, India's central bank said on Monday it will auction government bonds worth 150 billion rupees. The sale would include 60 billion rupees of a new 10-year security, 50 billion rupees of 6.49 percent 2015 bonds and 20 billion rupees each of 7.35 percent 2024 and 7.50 percent 2035 bonds via a uniform price-based auction.	Negative
Money Markets: After the finance minister forecast a higher-than-expected fiscal deficit and borrowing target for 2009/10, bond yields surged the most in three months. The yield on the benchmark 10-year bond ended at 7.03 percent, after touching 7.04 percent, its highest since April 6. It had ended at 6.83 percent on Friday.	Negative
Equity Markets: Indian shares fell 5.8 percent on Monday in their biggest drop in six months after the annual budget disappointed investors and raised concerns about the government's finances. Banks were among the big losers as a higher fiscal deficit and borrowing plan sent bond yields sharply higher, which could hurt treasury income for lenders. BSE Sensex ended 5.83 percent lower at 14,043.40, its sharpest fall since Jan. 7.	Negative
Top Events: The U.S. service sector contracted in June, but at a slower pace than in May. The Institute for Supply Management's services index rose to 47.0 last month from 44.0 in May, above economists' median forecast for a rise to 46.0. Further, on commodity side Oil fell more than 3 percent to $64 a barrel on Monday as doubts over a potential rebound in the global economy spurred investor risk aversion.	Mixed

CURRENCY MOVEMENT

	OPEN	HIGH	LOW	Close	CHG	Open Int	CHG	Volume	CHG
INR Future (JULY)	48.0300	48.6500	47.9250	48.6300	NA	270533	NA	1164129	NA
INR Spot	47.9650	48.5750	47.8450	48.5400	NA				
1 Month Forward	47.9500	48.7000	47.7400	48.5400	NA				
12 Month Forward	49.0650	49.8600	48.9350	49.7350	NA				

FII INVESTMENT IN EQUITY

(RS CRORE)	GROSS PURC.	GROSS SALE	NET FLOW
6-Jul	2150	1581	568

RBI FIXING RATES

CURRENCY	EURO	POUND	100 YEN
Rupee	67.8183	79.0039	49.8703

OTHER MARKETS

POINTS	CLOSE	CHANGE
Sensex	14043.4	-869.65
Nifty	4165.7	-258.55
Dow Jones	8324.87	44.13
Crude Oil ($/B)	64.05	0.25
Gold ($/Oz)	924.3	-0.20

ECONOMIC INDICATORS

COUNTRY	INFLATION	INT RATE	GDP	IND. PR.
India	-1.30	4.75	5.80	1.40
U.S.	-1.30	0.25	-5.50	-1.10
Europe	2.20	1.00	-4.90	-12.30
China	-7.60	5.31	6.10	8.90
Japan	-1.10	0.10	-14.20	-29.50

INDIAN DATA WATCH

DATE	DAY	LOCAL/GMT	EVENT	PERIOD	PREVIOUS	FORECAST
06-July-09	Monday	1100/0530	General Budget for 2009-10			--
09-July-09	Thursday	1200/0630	Wholesale price Index	Jun-27	-1.30 pct	--
10-July-09	Friday	1200/0630	Industrial output	May	1.4 pct	--
10-July-09	Friday	1700/1130	Forex reserves	Jul-03	$264.58 bln	--

INTRADAY CALLS COVERED

DATE	RECO	RECO. PRICE	COVERING PRICE	GAIN/ LOSS	LOT SIZE	MRGN %	MRGN MONEY	PER CNTRCT	ROI (%)	TARGET ACHVD
USDINR (JUL)	Long	48.27	48.36	0.09	1000	4%	1931	90	4.66%	Booked
USDINR (JUL)	Long	48.33	48.44	0.11	1000	4%	1933	110	5.69%	Booked
USDINR (JUL)	Long	48.96	48.96	0.00	1000	4%	1958	0	0.00%	Cost
USDINR (JUL)	Short	48.40	48.45	-0.05	1000	4%	1936	-50	-2.58%	SL Trigd
USDINR (JUL)	Long	48.56	48.64	0.08	1000	4%	1942	80	4.12%	Achieved
USDINR (JUL)	Short	48.58	48.58	0.00	1000	4%	1943	0	0.00%	Cost

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