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Decisive Thinking Pays

CURRENCY CORNER

29th July 2009

CURRENCY COMMENT

30 MIN NSE AUG USDINR

PERSPECTIVE

Recap: The Indian rupee shrugged off gains on Tuesday as the stock market lost ground and on dollar demand from importers, ending a three-day run of gains as the central bank's decision to hold interest rates steady offered little support. Rupee ended at 48.21/22 per dollar, recovering from an early low of 48.3050 but still 0.1 percent weaker than Monday's close of 48.16/17. It had risen as high as 48.13, but eased towards the close, in line with seesawing equities. However weaker close in equities at local front lack of positive support from European markets gave dollar a boost off its lows. At spot market, importers accumulated dollars at every low for month-end payment. By the end of the session, US dollar index recovered almost all losses and clawed back to 78.60 after falling down to a fresh 2009 low of 78.31. While EUR/USD nudged above 1.43 for the first time since early June before falling back to 1.4230 late session. USD/JPY eased to 94.50 as stocks dithered.

View: Mild losses on Wall Street (DJIA off 0.1%) a slightly negative cue for regional markets, there`s risk it may trigger profit-taking on markets recent runup. Weaker oil prices pulling commodity currencies down. Heightened risk aversion could mean EUR extends losses vs USD, JPY. At home, like other asian currencies, Indian rupee is likely to open lower on local bousers and USDINR (Aug) contract tipped at 48.36. Key resistance to the pair is at 48.43 and 48.56. While immediate support is at 48.21 and 48.10. Intraday range 48.47-48.24.

CURRENCY METER

FACTOR DESCRIPTION	EFFECT ON RUPEE
Fundamentals: India's central bank Tuesday held interest rates steady as expected. The decision didn't have an impact on the broader markets, though major banking stocks remained weak. The Reserve Bank of India kept its reverse repurchase rate, or the borrowing rate, at 3.25% and the lending rate, or the repurchase rate, at 4.75%.	Neutral
RBI Measures: July 29 India will sell 80 billion rupees of 91-day treasury bills and 10 billion rupees of 364-day treasury bills via a multiple price-based auction. Further, Three states will sell 10-year state development loans for a total of 20 billion rupees. July 31, India will auction 60 billion rupees of the 6.07 percent 2014 bonds, 40 billion rupees of the 7.94 percent 2021 bonds and 20 billion rupees of 8.24 percent 2027 bonds. Banks deployed 1.13 trillion rupees at Monday's reverse repo auction, showing the extent of cash surplus in the system.	Negative
Money Markets: The benchmark 6.90 percent 2019 government bond yield ended at 6.89 percent, below its previous close of 6.95 percent, after the central bank kept key rates on hold and reassured a nervous bond market that it would continue with its accommodative policy stance until economic conditions improve. Call money rate closed unchanged at 3.20/30 percent, amid lower demand for funds.	Positive
Equity Markets: Indian shares edged down 0.3 percent on Tuesday as downbeat results from consumer-goods maker Hindustan Unilever made investors wary and overshadowed strong earnings from a slew of firms over the past two weeks. The 30-share BSE index ended down 0.28 percent, or 43.10 points, at 15,331.94, but trading was choppy, with the benchmark rising as much as 0.6 percent and falling 0.9 percent at one stage.	Negative
Top Events: NZ June trade moves into deficit as fall in oil, dairy exports and one-off imports of aircraft dents accounts; June deficit at NZ$417 million vs May surplus NZ$907million, expected surplus NZ$258 million; excluding aircraft imports, trade balance would have been surplus of NZ$154 million; exports down 11% M/M. British retail sales fell faster than expected in July but at a slower pace than in June, a survey by the Confederation of British Industry showed on Tuesday. The CBI's distributive trades survey sales balance rose to -15 this month from -17 in June, a smaller increase than the rise to -12 expected by economists. For August, retailers expected conditions to deteriorate further, seeing a balance of -23. For July they had expected -21.	Positive

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CURRENCY MOVEMENT

	OPEN	HIGH	LOW	Close	CHG	Open Int	CHG	Volume	CHG
INR Future (AUG)	48.1025	48.9000	48.1025	48.2925	-0.04	260747	48944	196239	-535200
INR Spot	48.2175	48.3150	48.1288	48.2075	-0.04				
1 Month Forward	48.2450	48.4500	48.1600	48.4000	-0.15				
12 Month Forward	49.1700	49.4175	49.1025	49.3500	-0.18				

FII INVESTMENT IN EQUITY

(RS CRORE)	GROSS PURC.	GROSS SALE	NET FLOW
28-Jul	3264	2213	1051

RBI FIXING RATES

CURRENCY	EURO	POUND	100 YEN
Rupee	68.4363	79.3446	51.1153

OTHER MARKETS

POINTS	CLOSE	CHANGE
Sensex	15331.94	-43.10
Nifty	4564.1	-8.20
Dow Jones	9096.72	-11.79
Crude Oil ($/B)	67.23	-0.43
Gold ($/Oz)	941.7	0.40

ECONOMIC INDICATORS

COUNTRY	INFLATION	INT RATE	GDP	IND. PR.
India	-1.17	4.75	5.80	2.70
U.S.	-1.40	0.25	-5.50	-0.40
Europe	1.80	0.50	-5.60	-11.90
China	-8.00	5.31	7.90	10.70
Japan	-1.10	0.10	-14.20	-29.50

INDIAN DATA WATCH

DATE	DAY	LOCAL/GMT	EVENT	PERIOD	PREVIOUS	FORECAST
28-July-09	Tuesday	1115/0545	RBI Policy Review	--	--	--
29-July-09	Thursday	1200/0630	WPI	18-Jul	-1.17 pct	--
30-July-09	Friday	1600/1030	Fiscal deficit	Apr-Jun	907.58 bln	--
30-July-09	Friday	1700/1130	Forex reserves	24-Jul	$266.19 bln	--
30-July-09	Friday	1700/1130	M3 money supply	17-Jul	20.0 pct	--
30-July-09	Friday	1700/1130	Bank credit	17-Jul	16.3 pct	--

INTRADAY CALLS COVERED

DATE	RECO	RECO. PRICE	COVERING PRICE	GAIN/ LOSS	LOT SIZE	MRGN %	MRGN MONEY	PER CNTRCT	ROI (%)	TARGET ACHVD
USDINR (Aug)	Short	48.37	48.26	0.11	1000	4%	1929	110	5.36%	Achieved

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