Forex Research | India

Rajini Panicker
rpanicker@mfglobal.com

Ashwini Bansod
abansod@mfglobal.com

15/11/2010

MF Global Daily Report

Currency Report

Market Recap:

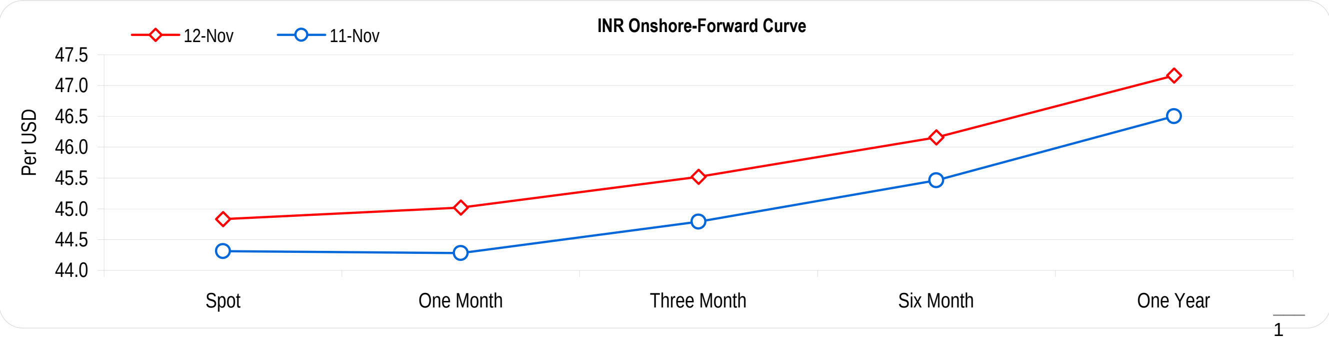
Nov USDINR closed at 44.94, up 48 paise. For more details on volume and open interest, please refer to statistics section which follows market outlook. Spot USDINR closed at 6-week low 44.83 from 44.31 , as the industrial production slumped to a 16-month low, sparking fears that the domestically driven growth momentum was slowing down in midst of tighter liquidity and higher interest rates. Add to this the rather watered down G-20 communique which promised nothing substantial meant more uncertainty. Asian units were under pressure against the US dollar, as the markets bought dollar expecting capital control measures from high growth economies (struggling with massive inflows). This drop and a sharp fall in major Asian equity indices triggered by China's latest measure to tighten foreign holding in Chinese in real estate, supported dollar purchases versus rupee.
On domestic front, a drop in domestic industrial growth nearly dropping to half of that witnessed in Sep 2009 at 4.40%, warned of a possible slowdown ahead in the economic growth momentum, weighing on rupee

Overseas, EURUSD dropped rapidly in Asian and early European session under pressure from safe haven related sales post reports that the debt troubled EU member Ireland was on the verge of seeking a 80 billion dollar bailout. But a joint statement from finance ministers of UK, France, Germany, Italy and Spain, that current debate about a mechanism and its final application would be from 2013 and was not applicable to Ireland's outstanding debt and any program under current instruments. That seemed to sooth the frayed nerves in the market as EURUSD climbed to day's high at 1.3762 during the US session. But a slide in US stocks and talks of EU members pursuing Ireland to ask for a bailout meant another round of selloff in the pair to close at 1.3691.

GBPUSD was came under pressure partly with momentum shifting in favour of US dollar in general and due to a weak consumer sentiment data. UK Oct Nationwide consumer conference index was at 52, Sep 53, lowest since March 09. With renewed US dollar momentum on fears that EU authorities had asked Ireland to ask for bailout and euro under pressure, a decline in EURGBP benefited the pair.

After remaining trapped in 82.23-82.55 range, USDJPY slid to day's low at 81.66 as fears over Ireland default rose. Confusion over whether Ireland had actually asked for a bailout or was being pressured to and a rather lackluster G-20 communique meant more uncertainty and risk aversion benefiting yen. With some normalcy returning to markets after a joint statement from a group of EU members to placate the markets over Irish debt. As European spreads reduced, the pair rose more. But dollar strength in latter half of US session capped USDJPY at 82.53.

Separately, CFTC data for week ended Nov 2, showed that net long the Euro positions fell from 40,505 to 38,610 contracts, those in pound sterling rose from 5,089 to 15,182 contracts and net long the Japanese Yen rose from 43,129 to 46,455 contracts.



Market Outlook:

Spot USDINR is likely to trade between 44.63-45.00. USDINR could come under pressure tracking the strong pressure on NDF rates in early Asian trade. Asian currencies in NDF markets rebounded in early trade today as US dollar momentum weakened versus majors, euro in particular . Reports that Ireland was being gently pressured to accept bailout by EU members so that some sort of certainty would return to markets. A German newspaper carried an article, Sunday, suggesting that Spain and Portugal were asking for EU intervention. Many EU members fear a repeat of Greek saga, earlier this year, where inaction lead to a costly bailout.

Back to domestic markets, a slowing industrial growth and a pause in interest rate hikes will slow rupee's momentum versus dollar, besides the heightened worries over global trade protectionism. But with US interest rates likely seen at the present levels through rest of 2010 and into quarter ending Mar 2011, the spread between Indian and US interest rates could continue to attract more funds.

Market will focus on the pace of FII inflows in equity markets, which has been a strong support for rupee, with over $28 billion of net equity purchases so far in the year. Indian authorities have been signaling that they will try and stay clear imposing restrictions on any foreign funds inflows, possibly with the consideration of funding a massive current account deficit. As against this other Asian nations like Korea, China or other emerging nations in South American continent have been steadily increasing capital controls. Could this keep India and Indonesia, which have shown restraint on imposing capital controls and continue to record growth rate better than the OECD members, favorite of investors, remains to be seen.

On domestic economic data, headline inflation number based on wholesale price index for Oct is due today, with market consensus at 8.51% from 8.62% last month, driven by higher base effect primarily.

Technical trade outlook:

Spot USDINR:Support at 44.67, 44.45 Resistance at 44.93 (50-day SMA), 45.18, 45.55. There has been an upside break on the momentum indicators suggesting that the rise could continue towards 45.18. Only a close below 44.45 to spoil upside chances.

EURINR: Support at 60.4 (100-day SMA), 59.6 Resistance at 61.92, 62.38. Will look for close below 60.4 to confirm further weakness, currently its in a consolidation phase

GBPINR: Support at 71.6, 71 Resistance at 72.6, 73.1. Trend continues to look firm while 71.6 holds

JPYINR: Support at 54.1, 53.75 resistance at 54.7, 55. Only a close above 55 to improve chances for upside while that is capped expect retest of 53.75

EURUSD: Support at 1.3625 (50-day SMA), 1.348, 1.329 Resistance at 1.3791, 1.3821, 1.3893. Expect initial rise towards resistances before falling back to 1.348. Only a close back above 1.3893 to indicate that the corrective declines have ended.

NSE -- USDINR Futures

Expiry	Close	Change	Volume (lots)	OI	OI Change	R1	R2	Pivot	S1	S2
26-Nov	44.94	1.08	3,385,898	778,976	-37,343	45.09	45.24	44.85	44.70	44.47
29-Dec	45.21	1.07	129,769	201,525	-1,041	45.35	45.50	45.11	44.97	44.73
27-Jan	45.43	1.01	16,998	59,026	6,118	45.57	45.71	45.34	45.20	44.98
Total*			**3,543,452**	**1,059,081**	**-29,153**					

*** Includes total for all contracts**

MCX-SX -- USDINR

Expiry	Close	Change	Volume (lots)	OI	OI Change	R1	R2	Pivot	S1	S2
26-Nov	44.94	0.48	4,584,849	699,418	31,261	45.11	44.38	44.83	44.66	44.38
29-Dec	45.19	0.48	137,807	166,418	-994	45.35	44.69	45.10	44.94	44.69
27-Jan	45.44	0.48	25,711	56,243	7,724	45.57	45.00	45.35	45.22	45.00
Total*			**4,748,367**	**922,079**	**37,991**					

NSE -- EURINR

Expiry	Close	Change	Volume (lots)	OI	OI Change	R1	R2	Pivot	S1	S2
26-Nov	61.46	0.32	87,795	24,268	-5,728	61.79	62.12	61.28	60.94	60.43
29-Dec	61.79	0.29	5,586	4,933	-579	62.12	62.45	61.60	61.28	60.76
27-Jan	61.96	0.26	41	211	30	62.21	62.45	61.85	61.61	61.25
Total*			**93,422**	**29,412**	**-163,723**					

MCX-SX -- EURINR

Expiry	Close	Change	Volume (lots)	OI	OI Change	R1	R2	Pivot	S1	S2
26-Nov	61.46	0.32	9,784	13,656	-3,627	61.81	62.15	61.27	60.93	60.40
29-Dec	61.84	0.38	201	1,791	157	62.12	62.40	61.67	61.39	60.94
27-Jan	62.10	0.43	8	787	20	62.27	62.43	61.93	61.77	61.43
Total*			**69,017**	**16,234**	**-3,450**					

NSE -- GBPINR

Expiry	Close	Change	Volume (lots)	OI	OI Change	R1	R2	Pivot	S1	S2
24-Oct	72.04	0.29	17,776	10,866	2,966	143.95	71.98	71.98	71.78	71.98
26-Nov	72.34	0.33	669	818	305	144.53	72.27	72.27	72.12	72.27
29-Dec	73.00	0.50	5	5	5	146.00	73.00	73.00	73.00	73.00
Total*			**18,450**	**11,689**	**3,276**					

MCX-SX -- GBPINR

Expiry	Close	Change	Volume (lots)	OI	OI Change	R1	R2	Pivot	S1	S2
26-Nov	72.03	0.27	14,422	7,957	1,690	72.26	71.47	71.98	71.75	71.47
29-Dec	72.39	0.30	456	768	365	72.55	71.92	72.31	72.15	71.92
27-Jan	72.53	0.00	0	0	0	48.35	24.18	24.18	48.35	24.18
Total*			**0**	**0**	**0**					

NSE -- JPYINR

Expiry	Close	Change	Volume (lots)	OI	OI Change	R1	R2	Pivot	S1	S2
26-Nov	54.88	0.52	8,530	8,067	5,675	55.29	53.99	54.84	54.44	53.99
29-Dec	55.20	0.47	8	8	8	55.23	55.07	55.17	55.13	55.07
27-Jan	0.00	-55.03	0	0	0	0.00	0.00	0.00	0.00	0.00
Total*			**32,065**	**22,340**	**8,845**					

MCX-SX -- JPYINR

Expiry	Close	Change	Volume (lots)	OI	OI Change	R1	R2	Pivot	S1	S2
26-Nov	54.69	0.59	16,246	9,600	-1,240	-54.15	-0.85	0.00	0.00	0.00
29-Dec	54.93	0.48	1,492	1,198	153	-54.50	-0.75	0.00	0.00	0.00
27-Jan	54.72	0.00	0	1	0	0.00	0.00	0.00	0.00	0.00
Total*			**0**	**0**	**0**					

Currency Pairwise Market Activity

NSE

Currency Pairs	Open Interest (Qty) as at end of Trading hrs.	Total Traded value (Rs in Crs)	No of Contracts Traded
USDINR	1,086,673	15,941	3,553,920
EURINR	29,412	572	93,422
GBPINR	11,689	133	18,450
JPYINR	22,340	175	32,065

MCX-SX

Symbol	No. of Contracts Traded	Total Traded Value (Rs. In Crs.	Open Interest (Qty.) as at end of trading hrs.
USDINR	4,757,843	21,340	935,308
EURINR	69,132	423	16,479
GBPINR	14,878	107	8,725
JPYINR	17,738	97	10,799

India Interbank	Spot-rates		One month		Three month		Six month		One year	
	Close	Prev	Close	Prev	Close	Prev	Close	Prev	Close	Prev
Rupee/USD	44.83	44.31	45.02	44.28	45.52	44.79	46.16	45.46	47.16	46.5
Forward Premia/Dis			5.09	(0.81)	6.16	4.33	5.93	5.19	5.20	4.94
Rupee/USD (NDF)			45.28	44.75	45.65	45.13	46.12	45.60	47.12	46.56

RBI Reference Rate	USD		GBP		EURO		100 YEN	
	12/11/2010	11/11/2010	12/11/2010	11/11/2010	12/11/2010	11/11/2010	12/11/2010	11/11/2010
	44.64	44.25	71.63	71.44	60.73	60.96	54.20	53.81

USDINR Stats		Key Currencies	Close	Prev	Key India Interest Rates	Current	Prev	Key International Interest Rates	Current	Prev
Low since 1997	51.97	Euro	1.3691	1.3654	Call rate	6.90	7.25	U.S.	0-0.25	0-0.25
High since 1997	35.70	Pound	1.6114	1.6109	MIBOR	6.99	6.99	E.U.	1.00	1.00
2010 High	47.69	Yen	81.660	82.480	RBI Repo	6.00	5.75	U.K	0.50	0.50
2010 Low	44.10	Swiss-Fr	0.9809	0.9770	Rev Repo	5.00	4.50	Japan	0-0.10	0.10

India Statistics

GDP	8.8	% growth in GDP Apr-Jun 2010	RBI USD purchase/sale	0	In Million for Sep 2010
Inflation (WPI)	8.62	% chg yoy in Sep	FII Net Equity Investments	25.03	In USD Million on Nov 11
IIP	4.40	% change y/y for Sep 2010	Ext Com Borrowings/FCCB	3091.00	In USD million in Sep 2010
Forex Reserves	300.2	In US $ billion as of Nov 5			

Other Markets

Equity Markets	Close	Change	Bullion	Close	Change	Energy $/barrel	Close	Change
BSE	20,156.9	(432.20)	Gold $/Oz	1,368.8	(39.90)	NYMEX-WTI	84.9	(2.93)
NSE	6,071.7	(122.60)	Silver $/Oz	26.1	(1.63)	Brent	86.3	(2.47)
Nikkei 225	9,724.8	(136.65)	MCX-Gold 10gm	20,134.0	60.00			
FT-SE 100	5,796.9	(18.36)	MCX-Silver 1Kg	39,411.0	192.00			
Nasdaq	2,518.2	(37.31)						
Dow Jones	11,192.6	(90.52)						

Data Source for market recap and statistics: RBI, Bloomberg, Reuters, other news agencies, online newspaper articles, MCX-SX and NSE

MF Global Commodities India Pvt. Ltd., No.1, C-Block, Modern Centre, Mahalaxmi, Mumbai-400 011, India. Tel: 91 22 2300 2999