

**Tuesday, October 11, 2011**

**Brief:**

- Asian session began on a positive note today being driven by sharp overnight rally amid increased optimism that European crisis would be contained.
- However, risk appetite is seen fading towards the beginning of European session as caution is seen ahead of EFSF expansion vote in Slovakian Parliament.
- The DXY Index has consolidated most of its prior session sharp decline, while EURUSD is seen holding on close to it's prior session's over 2-week high.
- EU Summit that was scheduled on Oct 17th has been delayed to Oct 23rd, in order to give EU leaders more time to come up with a plan to tackle the ongoing crisis.
- Looking ahead, Manufacturing Production report from the UK is the only notable data scheduled for release during today's session.

Trading began on a rather strong note in Asia today being largely driven by pledge from European officials to tackle the debt crisis and shore up the banking sector by recapitalizing banks across the 17-bloc region. This helped restore investor confidence, in turn sending high-yielding currencies broadly higher thereby pressurizing the DXY to tumble underneath the 78 support.

However, risk rally faded during the latter stages of Asian session, with equities paring some of their early day gains towards the end of Asian hours. Nevertheless, the DXY Index has continued to stay on the defensive and is seen inching closer towards 77.50, ahead of a crucial EFSF expansion vote in Slovakian parliament later today. The data calendar is relatively empty during the US session, with no crucial reports due for release.

**DXY:** DXY Index tested both the pivotal 77.93 and 77.42 (38.2% retracement of move from 73.52 to 79.83) supports during the overnight NY session. The index has managed to move above the latter support but with daily stochastic showing bearish signs, dip below 77.42 will flip bias back to the downside. Meanwhile, immediate resistance is seen at 77.78 (21-daily EMA), a break above which will ease the downward bias off DXY and bring consolidations.

**Rupee**

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDINR	Down	Up	48.80-49.11	48.80	48.91	48.97	49.00	49.04	49.07	49.11

The Rupee has come under considerable pressure during the last one hour, falling from its early session high of 48.86 to a low of 49.08, pressurized by fading risk appetite across the global markets coupled with rumors of government-related Dollar buying. Meanwhile, the domestic

markets have come under slight pressure lately, but has still stayed in green (currently up with average gains of 0.47%).

**USD/INR:** USD/INR is seen inching towards 5-daily EMA resistance of 49.11 levels. With the daily RSI (66.42) staying below the overbought zone, a break above this level could extend gains further possibly towards 49.16 (100, 30-mins EMA). However, a break below 49.00 will negate this view and flip intraday bias to neutral.

## Euro

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
EURUSD	Up	Down	1.3480-1.3820	1.3480	1.3550	1.3600	1.3647	1.3700	1.3750	1.3820

The Euro rallied to its strongest level since September 21<sup>st</sup> on Monday, being boosted by strong cues from equities amid hopes that EU leaders will come up with a plan as early as this month, in order to shore up the banking sector as well as help Greece to come out of its ongoing sovereign crisis. This in turn pushed the single currency to as high as 1.3698, an intraday rally of 305 pips or 2.28% from a low of 1.3393 levels. However, the single currency has retreated modestly in the Asian session today, as some caution is seen ahead of the EFSF expansion voting in Slovakian parliament later today. There are some fears over the rejection of fund expansion after talks amongst the ruling coalition party broke on Monday, in turn prompting the nation's PM to issue a resignation threat if the votes are not passed. Failure to pass the vote later tonight could in turn drag the single currency below the 1.35/34 support. Meanwhile, Greece announced yesterday that talks with the Troika of EU/IMF/ECB have concluded successfully. There are expectations that the same would be officially announced by the Troika as early as today, which could in turn pave way for the nation to receive its next tranche of funds worth EUR 8 billion.

**EUR/USD:** EURUSD moved past 1.3476 (23.6% retracement of move from 1.4549 to 1.3144) on Monday but has been faced with resistance at 1.3681 (38.2% retracement of the same move). With the daily Stochastic showing bullish signs, the pair could extend its rally further towards 1.3698 (prior session high), but strong resistance can be expected at 1.3704 (200-weekly EMA). Meanwhile, a break below 1.3586 (21-daily EMA) will turn intraday bias to neutral.

## Sterling

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
GBPUSD	Down	Down	1.5495-1.5795	1.5495	1.5535	1.5595	1.5645	1.5680	1.5730	1.5795

The Sterling advanced for a second consecutive session on Monday, rising to as high as 1.5689, its strongest intraday reading since September 29<sup>th</sup>. Comments from BOE member Weale that there is a lot of scope for further quantitative easing was largely shrugged off by traders, as they pushed the UK currency higher on grounds of strong risk flows into high-yielding currencies. Looking ahead, manufacturing production report is scheduled for release later today, ahead of

tomorrow's pivotal Claimant count change data, which in turn could confirm the reason as to why BOE was in such a hurry to consider QE2 last week.

**GBP/USD:** GBPUSD has continued to trade inside a rectangle formation since the past 3 weeks with the channel resistance seen at 1.5690/1.5700 while channel support lies at 1.5340. The pair tested the channel resistance yesterday, but was unable to move past the same. With the daily RSI & Stochastic continuing to show slightly bullish signs, a move past 1.5690 resistance will flip near-term bias to the upside. However, a break below 1.5578 (5-daily EMA) will negate this view and turn bias to neutral.

### Yen

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDJPY	Neutral	Neutral	75.70-77.50	75.70	76.00	76.40	76.67	76.85	77.20	77.50

The Yen has continued to hover inside a narrow band of 76.55 and 76.85 against the Dollar, but the Japanese unit has remained under broad based pressure against most of its other high-yielding counterparts, noting easing risk aversion flows amid sharp rally in global equities. Meanwhile, amongst the data released from Japan earlier today, current account surplus fell to JPY 0.65 trillion in August as compared with prior reading of JPY 0.75 trillion, but was better than the expectations of JPY 0.51 trillion. Ongoing debt crisis coupled with a stronger Yen were the key factors that continued to pressurize the nation's exports.

**USD/JPY:** The pair is seen trading modestly below the key 21-daily EMA of 76.74 levels. As long as this level continues to hold as resistance, bias will remain on the downside for a move towards 76.50/35 levels. However, a break and stability above 76.74 will support the pair to extend its rally towards 77.05/39 levels.

### Swiss Franc

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDCHF	Up	Up	0.8900-0.9200	0.8900	0.8950	0.9000	0.9037	0.9070	0.9130	0.9200

**USD/CHF:** USDCHF retreated below the minor 5-daily EMA of 0.9116 on Monday, in turn pushing the daily RSI below the overbought zone. Looking ahead, immediate support for the pair now lies at 0.8957, a break below which could extend slide further towards the pivotal 0.8809, 200-daily EMA support. However, as long as 0.8957 holds, a corrective pullback possibly towards 0.9100 (21, 2-hr EMA) can be expected.

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