Monday, April 30, 2012

Brief:

- Dollar weakened against currencies and commodities on the back of dismal job data, disappointing GDP number and dovish comment from FED in the FOMC meeting.
- In FOMC meet last week, Fed maintained the policy rate unchanged at 0-0.25% and left the door open for further stimulus if required.
- UK GDP data slumped by 0.2% qoq contraction in Q1 for second consecutive quarter which in turn shows that the economy entered into recession.
- BOJ announced to expand its Asset Purchase Program by 5 trillion yen to 70 trillion yen to boost the economic recovery; this triggered the currency to gain against most of its major.

It has been a risk-on Asian session today with sentiments remaining quite positive despite of a downbeat advance GDP data from the US. The data which was released on Friday printed in at a modest 2.2%which was well below the market expectations and prior reading of 2.6% and 3.0% respectively. This in turn triggered speculation that the Fed could provide more stimulus in order to prevent further slow down in the US economy. Nevertheless, despite of downbeat data from the US, sentiments have remained relatively positive today. This could partly be attributed to expectations that the RBA would lower its benchmark interest rate later tomorrow, just 3 days after the BOJ conducted monetary stimulus to support the Japanese economy come out of deflation.

Amongst Asian equities, Hang Seng has been the key performer so far, adding over 1.47% or 304 pts. The major trading centers in Asia – Japan and China – remained shut on account of holidays in the respective nation, which in turn has limited liquidity across the major bourses. Commodities, meanwhile, have remained quite range bound since morning, gold falling by a meager 0.01% to $1662.55 while Crude oil has declined 0.04% to $104.90. Meanwhile, the Dollar index has continued to hover near its prior session lows as demand for the US unit continues to remain weak amid increasing speculation that Fed could provide more stimulus. Amongst the G7 basket, EURUSD has declined back towards 1.3250; GBPUSD has managed to hover near its 9-month high of 1.6285; while USDJPY has traded dangerously close to the psychological 80 levels.

DXY: DXY Index has dipped near the crucial 200-daily EMA support of 78.62. The stochastic is continuing to point at bearishness but has fallen deeply into the oversold zone, while the MACD line has fallen and stabilized below the equilibrium line. Based on all this, should the index break and stabilize below 78.62, further losses possibly towards the 100-weekly EMA of 78.42 can be expected. However, with daily and intraday stochastic hovering into oversold zone, modest pull back possibly towards the 100-daily EMA support of 79.16 can be expected, if 78.62 manages to hold.

B-220 Aurus Chambers | Behind Mahindra Towers | Shivramseth Amritwar Marg | Worli | Mumbai 400 013 | India
TELEPHONE +91-22-61940202 EMAIL mumbai@mecklai.com WEBSITE www.mecklai.com
REGISTERED OFFICE Mecklai Financial Services Limited | 101 Mahatma Gandhi Road | Fort | Mumbai 400 023 | India

Rupee

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDINR	Up	Up	52.35-52.70	52.35	52.42	52.50	52.55	52.60	52.65	52.70

USD/INR: USDINR has traded above the minor 5-daily EMA of 52.49. The daily RSI is below the overbought zone and pointing higher, while the MACD indicator is continuing to point at bullish momentum. Based on all this, immediate bias will continue remaining higher with possible targets seen at 52.62 levels. However, break and stability below 52.49 will negate this view and extend slide towards 52.37 levels.

Euro

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
EURUSD	Down	Down	1.3080-1.3365	1.3080	1.3120	1.3180	1.3245	1.3280	1.3330	1.3365

The Euro rebounded against the Dollar on Friday supported by a relatively well-received bond auctions in Italy and also due to disappointing economic data from the US. Speaking of bond auction, Italy managed to sell EUR 5.95 billion of securities which were slightly below its maximum target of EUR 6.25 billion. Out of these, the EUR 2.42 billion worth 5-year note was sold at a yield of 4.86% as compared with its prior figure of 4.18% while the EUR 2.50 billion worth benchmark 10-year note was sold at a yield of 5.84% versus 5.24% seen during the prior auction. This in turn gave slight boost to the single currency, in turn sending it higher from a low of 1.3157 to as high as 1.3270, which was its strongest reading since the past 3.5-weeks. The Euro however was unable to gain further leeway on the upside as traders continued to digest news that Spain has been downgraded, which in turn pushed the benchmark Spanish 10-year security back to 6% during the day. Besides this, disappointing data also played their part on the Euro. This included Gfk German consumer climate sliding modestly to 5.6 in April from 5.8 in March, while French consumer spending unexpectedly declined -2.9% in March as compared with a gain of +2.9% in February.

There is only one noteworthy economic report scheduled for release from Europe later today. This includes CPI flash estimate, which was been forecasted to print slightly lower at 2.5% as compared with a reading of 2.6% in March. Weakness in Dollar could continue supporting the Euro, but upside in the single currency is likely to be capped ahead of Thursday's ECB meeting. Besides this, some caution is also likely to prevail ahead of the second round of French presidential election scheduled to take placed over the weekend. All these factors in turn could cap the upside in Euro to 1.3300 for the rest of session today. Nevertheless, if the US data continue to print softer this week, the Euro is likely to inch above the 1.33 handle.

EUR/USD: EURUSD is seen hovering near the key 100-daily EMA of 1.3236. The daily MCAD line has moved slightly above the equilibrium zone. However, the stochastic line has cut below its signal line from overbought zone, while the RSI has lost its upside momentum. Based on all this, should stability be established back below 1.3236, immediate bias will flip back to the downside for a possible move towards 1.3156 (38.2% retracement of 1.2625 to 1.3485). However, as long as 1.3236 manages to hold, bias will remain on the upside with possible targets seen at 1.3282 (23.6% retracement).

Sterling

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
GBPUSD	Up	Up	1.6150-1.6400	1.6150	1.6180	1.6250	**1.6285**	1.6300	1.6340	1.6400

The Pound advanced for a 4th consecutive session on Friday, continuing its unprecedented rally for a 2nd straight week. The intraday advance in Sterling was primarily on the back of weakness in Dollar and also due to positive cues from global equities. Besides this, the Sterling was also supported by expectations that the BOE would not increase the size of its asset purchase facility next month despite of the fact that UK economy technically moved into recession during Q1 2012. On an intraday basis, the Sterling advanced nearly 0.8% from a low of 1.6153 to a high of 1.6280, which was its strongest reading since the past 9-months. Meanwhile, amongst the data releases from UK, Gfk consumer confidence printed unchanged at -31 in April as compared with the expectations of -29.

The Pound has been able to rally sharply since the past 2-weeks. It has gained nearly 3% to move to a 9-month high against the Dollar supported by disappointing US data releases, and has advanced 1.6% to move to an 11-month high against the Euro boosted by uncertainties surrounding Euro zone. The current week could test Pound's resolve as focus will shift towards the release of PMI data from the UK. This includes manufacturing PMI tomorrow, construction PMI on Wednesday, and Services PMI on Thursday. Should the data disappoint, we expect the Sterling to pare some of its recent advance and slide back towards 1.6080. However, stronger print is likely to support Sterling extend its advance for a 3rd week. Besides this, news flows from US and Euro zone will also be crucial for movements in the GBP. Any signs that these two economies are slowing down will increase safe haven bids for Pound.

GBP/USD: GBPUSD has continued to stay above the minor 5-daily EMA of 1.6207. As long as the pair remains stable above the same, immediate bias will continue remaining on the upside with possible targets seen at 1.6293 (200-daily EMA) followed by 1.6345. However, the daily & intraday oscillators have moved sharply into the overbought zones. Based on this, we expect any intraday upside in the pair to be capped between 1.6300 – 1.6350, which if manages to hold, a throwback possibly towards 1.6207 can be expected.

Yen

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDJPY	Up	Up	79.50-81.00	79.50	79.70	80.00	**80.15**	80.50	80.80	81.00

The Yen advanced against the Dollar on Friday as traders shrugged off monetary easing by the BOJ and instead pushed the Japanese unit higher on the back of expectations that Fed could take steps to support the US economy. Such expectations grew post the release of US advance GDP report which came in well below the market expectations and prior quarter figure. Meanwhile, the BOJ expanded the size of its balance sheet by JPY 10 trillion which includes JPY 5 trillion in asset purchases and JPY 5 trillion in a program that would provide funds to banks. On an intraday basis, the Yen strengthened from 81.44 to move to as high as 80.23, which was its strongest reading since the past 2-months.

The upcoming week is relatively light on data releases as Japan will remain shut today, on Wednesday, and on Friday on account of holidays. As such, movements in the Yen will be largely driven based on how US data prints in. There are a host of data scheduled for release from the US this week including the pivotal monthly jobs reports. Disappointing print is likely to pressurize the Yen extend advance below the psychological 80 levels, which would be a big cause of worry to BOJ. However, should the data from the US surprise to the upside, strength in Yen could be absorbed near 80 levels while on the downside, a move back towards 81.50 can be expected.

USD/JPY: USDJPY has managed to stay above the key 100-daily EMA of 80.16. The daily RSI is below the neutrality zone, MACD line has slipped below its signal and equilibrium line, while stochastic line has moved into oversold area and is still pointing lower. Based on all this, should the pair fall below 80.16, further dip possibly towards the daily Bollinger band support of 79.95 can be expected. However, with intraday oscillators hovering into oversold areas, a modest pullback can be expected first with possible targets seen at the 55-daily EMA of 80.93, provided support at 80.16 is held.

Australian Dollar

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
AUD/USD	Down	Down	1.0300-1.0550	1.0300	1.0360	1.0400	**1.0445**	1.0460	1.0500	1.0550

The Aussie gained sharply on Friday as demand for the high-beta currency picked steam noting positive cues from equities and strength amongst commodities. Besides this, weakness in Dollar also supported the Australian unit to edge higher and break above its recent confined trading band. On an intraday basis, the Aussie advanced nearly 1.2% from a low of 1.0353 to move to as high as 1.0474, which was its strongest print since the past 1-month.

Looking ahead, with no major economic report scheduled for release from Europe and US later today, movements in Aussie is likely to be determined by risk sentiments prevailing across the globe. However, with a couple of crucial events lined up during the early Asian hours tomorrow, we expect any upside in Aussie to be capped at 1.05. Speaking of tomorrow, China will be releasing manufacturing PMI which has been forecasted to print at 53.6 in April from 53.1 in March. Should the data print in line or exceed market expectations, it would be supportive to risk appetite and thereby to Aussie as well. Secondly, the RBA meeting is also due tomorrow and expectations are that the central bank would lower rates by 25 bps to 4.00%, which has been largely anticipated by the markets. As such, movements in Aussie will be RBA statement. If the central bank gives hints about more rate cuts, the Aussie is likely to pare its prior week advance and slide back towards 1.0300 levels.

AUD/USD: AUDUSD has risen towards the upper Bollinger band of 1.0465 but has been unable to move past the same. The daily RSI is above the neutrality zone and so is the stochastic line which has also moved into overbought area. The intraday oscillators too are looking little stretched at present. Based on this, as long as stability is maintained below 1.0465, a move towards 1.0400 (200, 4-hr EMA) followed by 1.0365 (200-daily EMA) can be expected. However, break above 1.0465 will negate this view and extend gains towards the psychological 1.0500 handle.