Wednesday, May 2, 2012

Brief:

- Rupee depreciated to fresh 3-month low of 53.02 against the Dollar earlier today pressurized by strong demand for US unit from importers and oil companies.
- Risk assets have remained well bid across the Asian session supported by upbeat manufacturing report from the US.
- At the same time, Dollar too has strengthened against the G7 basket supported by easing expectations of QE3.
- UK construction PMI and US ADP Non-Farm Payrolls are the key economic reports scheduled for release later today.

It has been a relatively positive Asian session so far as traders across the continent have reacted well to manufacturing reports released yesterday from China and US. Although the former (China) showed modest improvement in manufacturing, the latter (US) proved to be a big surprise as it rose to a 10-month high of 54.8 in April. This coupled with overnight 50 bps rate cut by Australia have boded in well with risk assets today, thereby supporting Asian equities to perform strongly led by advances amongst Chinese indices. Dollar has managed to stay firm, rising along with equities, as the US unit is being supported by easing bets of QE following signs of improving manufacturing in the world's largest economy. Amongst the G7 basket, USDJPY has been the key performer today rising towards 80.50 levels supported by easing risk aversion flows. Elsewhere, EURUSD and GBPUSD has remained little changed since morning. Meanwhile, with Dollar strengthening across the board, commodities are seen under modest pressure today – Gold retreating 0.37% while oil has slid 0.17%.

Looking ahead, focus today will shift towards the release of ADP Non-Farm Payrolls report which could give hints as to how the actual NFP report prints in later this week. Expectations are for the ADP to come at 178k as compared with prior reading of 209k. Should the data come in line or below expectations, it could put DXY under modest pressure for a retest of 78.63 support. However, should the data surprise on the upside, the DXY is likely to extend its advance further for a possible move towards 79.25.

DXY: DXY Index was met with strong support at the crucial 200-daily EMA of 78.63. The daily RSI has lost its downside momentum and has started to point higher. Based on this, we expect an intraday upside movement today with possible targets seen at 79.15 (100-daily EMA). However, break and stability below 78.63 will negate this view and turn intraday bias to neutral.

Rupee

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDINR	Up	Up	52.65-53.15	52.65	52.72	52.82	52.90	53.00	53.08	53.15

The Rupee began trading modestly stronger at 52.63 and has since extended its losses from its early day high of 52.5875 to as low as 52.9575, which was its weakest reading since the past 3-months. The weakness in Rupee is seen despite of positive cues from equities, as the same has been more-than-offset by strong Dollar demand from importers and oil companies. For the rest of session, if demand for Dollars from importers continue to remain strong, Rupee is likely to extend its slide towards 53.08. However, fear that RBI could intervene in the markets is likely to prevent Rupee from stabilizing above 53 mark.

USD/INR: USDINR inched closer towards 53 psychological levels earlier today but has been unable to stabilize above the same. The daily and intraday RSI has moved sharply into overbought area, which in turn is likely to prevent further intraday upside while on the downside, a move towards 52.84 (4-hourly minor support) can be expected. However, break above 53 will negate this view and extend advance towards 53.08.

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	**1.3230**	1.3280	1.3330	1.3365

The Euro rallied to a fresh 1-month high of 1.3283 against the Dollar on Tuesday in what was a thin EU trading session as major markets across Europe remained shut on account of holidays. However, the single currency has tumbled from its highs to move back towards 1.3230 levels, as demand for the currency eased on the back of strong manufacturing data from the US. The Euro has remained extremely range bound today ahead of the release of Euro area unemployment rate data, which has been forecasted to rise 0.1% to 10.9% in March. This in turn could keep the Euro under pressure for a possible decline towards 1.3180. Nevertheless, no sharp swings is expected in the Euro today as caution is likely to prevail ahead of tomorrow's crucial ECB meeting and bond auctions in Spain, France.

EUR/USD: EURUSD is seen hovering near the key 100-daily EMA of 1.3236. The daily MACD line has moved slightly above the equilibrium zone but RSI and stochastic are continuing to point at bearish momentum. Based on all this, as long as stability is established below 1.3236, immediate bias will remain on the downside for a possible move towards 1.3156 (38.2% retracement of 1.2625 to 1.3485). However, re-stability above 1.3236 will negate this view and extend upside towards 1.3282 (23.6% retracement).

Sterling

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
GBPUSD	Up	Up	1.6080-1.6355	1.6080	1.6150	1.6180	**1.6235**	1.6265	1.6300	1.6355

The Sterling declined for a second day on Tuesday as traders cut their long positions in the UK unit noting disappointing data releases from the UK. This included manufacturing PMI sliding to a 4-month low of 50.5 in April from 51.9 in March. This was well below the expectations of a 51.4 reading. With the data printing in dangerously close to the 50 equilibrium zone, there will be worries that manufacturing could tumble into contraction zone (i.e. <50) next month. All these in turn have pressurized Sterling to decline from its near 9-month high and slide to as low as 1.6186. However, with risk appetite remaining strong today, Pound has managed to rebound off its lows and move back towards 1.6235 levels. Looking ahead, movements in the Sterling later today would be impacted by the outcome of construction PMI data. Expectations are for a sharply lower print (54.1 versus prior reading of 56.7), which in turn could pressurize Sterling fall back towards 1.6180. Besides this, focus will also remain on how mortgage approvals report prints in.

GBP/USD: GBPUSD has stayed above the minor 5-daily EMA of 1.6209. 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-weekly EMA). However, stability below 1.6209 will negate this view and extend decline towards the 55, 4-hourly EMA of 1.6161.

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	80.45	80.50	80.80	81.00

The Yen extended advance to its fresh 10-week high of 79.64 against the Dollar on Tuesday, as traders continued to increase their exposures in Japanese unit on the back of growth uncertainties surrounding Euro zone and US. However, fears of intervention by Japanese authorities coupled with sharp rally in US equities pressurized the Yen to retreat from its highs and slide to as low as 80.41 in the Asian session today. Looking ahead, movements in the Yen will be closely impacted based on how US ADP payrolls report prints in later today. Should the data surprise to the upside, we could witness further short covering in the pair which in turn could lift USDJPY towards 80.65/81.00 levels. However, if the data misses forecast and prints below 178k, the Yen is likely to retest its prior session peak.

USD/JPY: USDJPY bounced back strongly off the 200-daily EMA of 79.71. The daily RSI has lost its downside momentum and has started to point higher. Based on this, strong support is expected again at 79.71, which if manages to hold, a bounce back towards 55-daily EMA of 80.88 can be expected today. However, break and stability below 79.71 will negate this view and turn immediate bias to neutral.

Australian Dollar

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
AUD/USD	Down	Down	1.0200-1.0465	1.0200	1.0270	1.0300	1.0340	1.0350	1.0400	1.0465

The Aussie weakened for a 2nd session on Tuesday as demand for the commodity currency after RBA unexpectedly cut its benchmark cash rate by 50 bps from 4.25% to 3.75%. This was above the market consensus of a 25 bps rate cut and as such, in a knee jerk reaction, sent the Aussie tumbling down from 1.0428 to 1.0305. The central bank did not hint at further rate cuts during the meet. It added that economic conditions have been weaker than expectations but it also stated that deep downturn is unlikely to occur. The Australian unit has managed to rebound today, rising back towards 1.0345 levels supported by positive cues from across the global equities. However, further intraday rise in the unit is unlikely to be sustainable, as expectations that the RBA could considering further cuts later this year will limit the upside in Aussie.

AUD/USD: AUDUSD bounced back strongly off the cluster EMA resistances of 1.0420 levels to move below the crucial 200-daily EMA of 1.0364. The daily stochastic line has fallen below its signal line while the RSI has flattened below equilibrium zone. Based on all this, immediate bias will continue remaining on the downside for a test of 1.0295 (4-hourly lower Bollinger band). However, break and stability above 1.0364 will negate this view and turn immediate bias to neutral.