

Friday, June 15, 2012

Dollar

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
DXY Index	Up	Up	81.70-83.25	81.15	81.37	81.55	81.77	82.16	82.30	82.60

- US dollar weakened across the board after another batch of poor economic data giving the Fed scope to engage in further policy accommodation in coming FOMC meeting scheduled next Wednesday.
- The fall in US dollar was also favored by a rally in equity markets which has brought about risk appetite as central banks are preparing coordinated action to offer liquidity if warranted ahead of Greece elections.
- On data front, monthly US CPI in May 2012 declined by 0.3% which was more than expected since the fall was largely attributed to plunge in gasoline prices for second consecutive month, thereby pushing CPI inflation yoy below 2 percent for the first time in 2 years. Initial claims rose 6,000 to 386,000 in the week ending June 9, 2012, which was above market expectations for a 375,000 reading.
- In the later session, the losses in US dollar were limited against major crosses as negative news continued from Spain. Nevertheless, today the greenback is trading a tad lower on hopes of aid by Fed but wary of Euro region crisis is preventing its fall.
- Looking ahead, Prelim Consumer Sentiment and Industrial Production are due to release as also the risk sentiment in the market will determine the direction of US dollar.

DXV: The index fell for third consecutive session before ending the session lower at 81.88. Currently, the index is trading at 81.77 a tad below 21 Daily EMA which has now turned into resistance level. Intraday RSI and Stochastic are pointing southwards and if the price firmly trades below this resistance level, a move towards support of 81.55 (lower Bollinger band in Daily) and next at 81.37 is highly possible. On other hand, a bounce back above 81.90 will negate this view pushing the index higher to test resistance of 82.16.

Rupee

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDINR	Up	Neutral	55.50-56.00	55.35	55.49	55.60	55.75	55.85	55.97	56.05

- The rupee has declined by more than 1% since its weekly opening of 55.13, however today it opened stronger by 15 paise compared to its yesterday's close of 55.81. The movement in the rupee has been a very range bough since the past couple of sessions where the downside for rupee is being consistently capped at 55.85, but further advance in rupee cannot be ruled out if see a move below 55.60 in the remaining part of the session.
- With GDP growing by a sub-par 6.5% in 2011/12, and with industrial production growth for April disappointing as against the expectations of 1.7% y/y growth this week was only 0.1% y/y, the short-term policy bias should be to ease the monetary conditions. However, today's comment by RBI governor that RBI is ready to sacrifice short term growth for controlling the spiraling inflation suggests that RBI is not comfortable cutting rates. However markets are widely expecting RBI to cut repo rate by 25bps to 7.75% and cash reserve ratio by 25bps to 4.50% on June 18.
- India is facing the negative combination of fiscal slippage, high inflation, currency depreciation, and capital outflows and with such backdrop rupee would continue to remain vulnerable due to weak fundamentals and should continue to underperform despite officials' efforts to shore it up.
- Asian currencies were headed for a second weekly advance Philippine Peso being the biggest gainer on speculation leaders of the Group of 20 nations will announce measures to combat a global economic slump when they meet next week for talks in Mexico. Even the MSCI Asia Pac Index today headed for its first 1%-plus weekly gain since Feb.

USD/INR: After opening stronger at 55.66 rupee seems to be stuck in a narrow range, where consistent selling of USD is being observed at 55.77, any further weakness in rupee is likely to remain restricted to 55.88 (Yesterdays intra-day high of USDINR). Immediate support for the pair comes in at 55.62 (Intra day low & 21 4-Hourly EMA), weekly closing below 55.60 will certainly indicate for further strength in rupee.

Euro

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
EURUSD	Down	Down	1.2535-1.2700	1.2535	1.2570	1.2600	1.2465	1.2650	1.2680	1.2700

- Negative news flow from Euro zone did not impact the FX markets maintaining a tight range for the currency pairs. The market is mostly awaiting the Greek elections on Sunday.
- Spanish benchmark 10 year yield has breached the 7% resistance (highest since the formation of euro) which in due course led to the national bailout of Greece, Italy and Portugal.
- Whereas a solid bond auction of the Italian bonds (EUR 4.5b) could not create an impact pushing the 3 years bond yield higher to 5.3% from 3.9 % in last months auction. When it comes to Euro zone the traders are displaying stumpy confidence on the economy.

- Looking ahead for the day the market would drive cues from Euro zone trade balance data wherein a positive figure would be a sign of strength in the pair. ECB president Draghi is scheduled to speak today addressing how ECB observes current European economy.
- Any negative comments could put further stress on the Euro and drag the currency below the 1.26 levels.

EUR/USD: EURUSD is expected to test its strong immediate resistance around 1.2670-1.2690 (high on 11th June, 38.2% retracement of the fall from 1.3283 to 1.2286, 200 4H EMA & 100 8H EMA) as short term stochastic is in over bought region, corrective downside might be seen till immediate cluster support at 1.2570 (21 & 100 4H EMA). However firm break of 1.2671 would indicate further rally towards 1.2800 (50% retracement & 55D EMA).

Sterling

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
GBPUSD	Up	Down	1.5385-1.5575	1.5390	1.5420	1.5449	1.5487	1.5518	1.5575	1.5685

- The Sterling recovered its yesterday's earlier losses against the dollar as disappointing labor data from US weighed on the greenback. It closed at 1.5551 after touching an intra-day high of 1.5564.
- However, the upside was limited and touched a low of 1.5472 as BOE Governor, Mervyn King, stated that the case for more stimulus in the UK is growing and bank plans to have a form of credit easing, operating within weeks to boost lending in the economy expressing concerns over the European debt crisis. The BOE's liquidity plan will see it activate an unused facility to inject at least 5 billion pounds (\$7.8 billion) a month into the financial system.
- Taking cues from the overnight movement, the pair continued to remain under pressure today, currently trading near its intra-day low of 1.5494. In the European session ahead, the April UK Trade Balance will be released, which will serve as fundamental risk event for GBP.

GBP/ USD – The pair managed to close above the 5-day EMA yesterday making it the 6th consecutive session above the 5-day EMA. However, it is currently seen trading below the support level of 5-day EMA indicating weakness in the pair also confirmed by the short-term oscillators. Confirming the same, the rising trend-line has also been breached on the downside and sustained trading below this is likely to extend the fall up to the immediate support level of 1.5473 (38.2% retracement of 1.5268 to 1.5600). However, close above the trend line and 5-day EMA will negate the view and push the pair towards its immediate resistance of 1.5600 (its recent high and 21-day EMA).

Yen

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDJPY	Neutral	Neutral	78.10-80.81	78.20	78.50	78.74	78.90	79.23	79.80	80.53

- On the official front BOJ kept its asset purchase program unchanged at 40 trillion Yen and the credit lending program at 30 trillion Yen. The central bank has kept its interest rate between zero and 0.1%. The announcement was inline with the estimates of economist in Bloomberg news and the bank has also raised the evaluation of its economy, expecting a revival in domestic demand due to increased spending in construction.
- While we speak the Yen has been trading in a wide range of 78.78-79.51 as traders speculate over the upcoming elections in Greece on Sunday and FOMC meeting scheduled for 20th June. Any scope of increasing the stimulus by Fed will add fuel to the fire and short positions could be seen unwinding in the pair.
- Benchmark equity index Nikkei has closed flat at 8569.32 after an initial rally of 0.43% in the opening of Asian session. Traders are cautious ahead of the opening of European session which will guide how well risk aversion will play a role for the pair and are awaiting for clarity from the US data later in the evening.

USD/JPY: Yen has broken the consolidation pattern as stated in yesterday's report and is currently trading at 78.90 which is below the 5 Day EMA support of 79.23. Should the pair manage to break 78.74 support it will head to test the next psychological support of 78.50. Meanwhile the oscillators are showing bearish momentum with MACD signal consolidating and RSI at 43 which is moderately lower than 45 reading as seen in prior day chart. However if the pair bounces above the 5 Day EMA this will negate the view and test the next resistance of 79.40 i.e. the 21 Day EMA.

Australian Dollar

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
AUD/USD	Up	Neutral	0.9790-1.0203	0.9862	0.9914	0.9996	1.0020	0.9996	1.0086	1.0193

- Aussie has been trading positive against the dollar as traders bet that major central banks elsewhere would be going for expansion in their policy to combat the current Euro-zone sovereign debt crisis.
- The pair opened at 1.009 and soon made a monthly high of 1.0030 in the Asian session. With no data for Aussie scheduled today the demand for the pair would depend on how events unfold the in Europe and US.

- Meanwhile the current rise in pair has resulted in short cutting and could test higher levels ahead of the US FOMC meet.

AUD/USD : Aussie has been trading above the 21 Day EMA of 0.9915 and tad below the 55 DAY EMA which is suggesting bullish momentum. The immediate bias for the pair remains on upside at 1.0042 which is the Upper Bollinger band, and will move to test 100 Day EMA of 1.0175. While oscillators are showing bullish momentum with the MACD above still above the green line and RSI at 57.82 showing the pair is intact to witness further upside. However should the pair move below the 5 Day EMA of 0.9972 we could witness selling till 0.9862 which is the next support seen for the pair.

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