

Tuesday, September 11, 2012

Dollar

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
DXY Index	Down	Up	80.20-82.50	79.20	79.65	80.00	80.23	80.65	80.90	81.30

- Markets are generally steady while dollar drifted higher against all of G10 currencies amid light economic data flow and moderate risk aversion. Economic data released over the weekend from China and Japan which weighed on sentiment while headlines flowing from Europe highlighted ongoing uncertainties with regards to the regions debt crisis.
- After showing a lack of direction throughout the session, U.S. equities finished the day lower with the Dow Jones closing lower by about -0.39% while the S&P declined around -0.61% to end the session.
- Consumer credit in the U.S. unexpectedly decreased by \$3.3 billion in the month of July, with a drop in revolving credit offsetting a continued increase in non-revolving credit such as student loans and car loans.
- Asian equity markets are under modest pressure, tracking decline on Wall St amid traders remain wary ahead of Fed decision and ESM ruling in Germany later in the week.
- Fed would release new economic projections and might push the low rate pledge into 2015. But there is just very slim chance that Fed would announce new stimulus, in particular considering the ECB's OMT had already given financial markets a very strong boost last week.
- Looking ahead, US trade balance is set to release that may drive dollar little, but considering the big event risk lies ahead could be ignored by the market irrespective of result.

DXV: DXY index traded within tight range of 22 points before ending the session unchanged. Intraday stochastic are indicating weakness and with Bollinger band widening, the pressure in the index is likely to be maintained for the day. On upside, the 200 Daily EMA comes at 80.60 which reckons strong resistance and if holds, then bearishness in the index is highly probable.

Rupee

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDINR	Neutral	Down	55.30-55.70	55.05	55.20	55.35	55.49	55.55	55.65	55.75

- The rupee weakened on Monday as increased dollar demand from oil refiners put pressure on the local unit. Further losses were capped by hopes of more monetary stimulus by the Federal Reserve.
- Implied volatility in India's rupee is held at the lowest level in a year before the Federal Reserve meets tomorrow, with investors braced for further stimulus that may spur inflows into emerging markets including India.
- A government report tomorrow may show India's factory output grew 0.5 percent in July from a year earlier after a 1.8 percent contraction in the previous month, Inflation data which is due on Friday seems to have accelerated to 7.05 percent in August from 6.87 percent in July.
- Bond markets are pinning their hopes on a fuel price hike, which would help to reduce the fiscal deficit and a report on Fiscal consolidation which was presented in parliament earlier will be made public today which will provide various suggestions on how to reduce the fiscal burden. The range for the 10-year yield is between 8.15% – 8.20%.

USD/INR: USDINR after opening marginally weaker at 55.40 compared to its yesterdays close of 55.45 has been slowly and gradually lingering near the strong resistance at 55.55 (5 & 21 Daily EMA). A firm break of 55.55 levels and couple of daily close above 55.50 mark will suggest that the pair has posted its short term low of 55.25 and it can surge higher may be to 56.00 levels if the outcomes of our domestic data namely IIP & WPI numbers disappoints the market. On the downside only a daily close below 55.37 (55 daily EMA) will negate the above view and will suggest for more rupee gains in the near term.

Euro

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
EURUSD	Neutral	Up	1.2700-1.2870	1.2700	1.2720	1.2750	1.2789	1.2810	1.2840	1.2870

- After rallying till 1.2804, Euro is currently consolidating in a range of 1.2750-1.2800. Since morning the pair is stuck in a band of 20 pips and currently changing hands at 1.2785. This consolidation in the pair is indicating a possible breakout and the trigger could be the German court ruling.
- Germany's Constitutional Court is due to deliver a verdict on Wednesday that could pave the way for activating the European Central Bank's scheme. The court verdict is the last legal hurdle for the ESM before it can come into effect.
- It is widely expected that the country's constitutional court won't block the currency bloc's planned permanent bailout fund. In case the court rules out the option then the euro zone could find itself short of authorized funds to prop up distressed economies forcing Europe to redesign its safety net for crisis-hit countries.
- On data front, Greece's industrial production recommenced its decline in July, proving June's slight increase in output to be a blip in a recession now in its fifth year. Output from the country's factories, mines and utilities fell 5.0% on the year in July. The overall

manufacturing index slumped 7.8% while production at mines and quarries slipped 2.6%.

- In the absence of major economic data release, Euro is likely to continue its sideways movement.

EUR/USD: Since the pair is trading in a tight range; for the pair a level of 1.2870 (200-Daily EMA) is expected to restrict its upside while on the downside 1.2724 (38.2% retracement of the rise from a low of 1.2501 to a high of 1.2817) will garner support for the pair.

Sterling

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
GBPUSD	Up	Neutral	1.5950-1.6110	1.5910	1.5935	1.5985	1.6020	1.6035	1.6080	1.6110

- The Sterling ended its 3-day bullish run against the dollar yesterday and parted its gains to touch an intra-day low of 1.5958. However, the pair recovered some of its losses and ended the session at 1.5991.
- Yesterday, the ratings agency Moody's stated that the UK banks profitability is set to stay under pressure through to 2013 as erosion in margins and rise in regulatory costs, while an uncertain domestic economy keeps the outlook for the UK banking system negative.
- Likewise, investors remained rather cautious ahead of the US Fed's FOMC Meet and the German Constitutional Court's ruling in the week. In the presence of light economic data from UK, focus shifted to these major risk events as the pair came-off its 4-months high touched on Friday.
- Trading trends in the pair today are expected to be determined by the release of trade balance in the UK which is expected to indicate that trade deficit would narrow in July.

GBP/ USD – GBPUSD failed to close above the 1.6000 level in yesterday session. However, today the pair managed to trade above the same level. The uptrend has been holding well after the pair has broken out of the range bound trading pattern. Intraday as well daily oscillators are hinting at bullish movements in the pair. Based on this, the intra-day bias in the pair remains on the upside with possible target seen at 1.6080 (78.6% retracement level of 1.6301 to 1.5268). On the downside, the pair is expected to take support at 1.5971 (5-day EMA).

Yen

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
JPY	Up	Neutral	78.00 – 79.10	76.95	77.45	78.00	78.20	79.10	79.85	80.20

- In Japan Consumer confidence index rose to 40.5 in August from 39.7 in July albeit a mark below 50 still signals pessimism.
- The BSI Manufacturing Index printed on a positive note at 2.5 versus negative 5.7 in the past month despite demand in the sector continues to remain worry.
- The Nikkei dropped, closing lower by 0.70% along with other Asian indices ahead of the ESM ruling in Germany tomorrow.
- In other news, cost cutting by leading corporate in Japan is dragging on to wage levels resulting in weaker demand and more reasons for easing measures to counter deflation.

USD/ JPY: The pair is currently trading at 78.22 with modestly down side bias as supported by bearish 4-hourly & daily stochastic. Thus downside target might be seen below its last posted low of 77.91. On the upside, 21 4-hourly EMA at 78.60 would act as a strong resistance for the pair.

Australian Dollar

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
AUD	Up	Neutral	1.0280 – 1.0380	1.0240	1.0280	1.0320	1.0351	1.0380	1.0420	1.0460

- The AUD is a bit under pressure along with other commodity currencies like the NZD amid concerns there is genuine slowdown in China the biggest trading partner for these nations.
- In Australia, the National Australia Bank (NAB), in its monthly business survey, showed that business confidence fell to -2 in August, from a reading of 3 in July.
- Hopes of stimulus from the U.S and China will work out to be very positive for the Aussie and according to the RBA the only point of contention for growth would be external, from China, the EU and Japan.

AUD/ USD: As daily stochastic of the pair showing neutral trend, a range bound session might remain in the price band of 1.0280 (falling trend line) to 1.0380 (200 daily EMA). A firm break of above mentioned range would only helps to decides further direction of the pair.

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