

**Wednesday, September 12, 2012**

**Dollar**

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
DXY Index	Up	Up	79.00 – 81.50	79.00	79.20	79.65	79.89	80.20	80.65	80.90

- US dollar continued its descent ahead of FOMC meeting as currency market is pricing additional easing from the Fed. Euro and commodity currencies were benefited forging higher against the greenback, additionally positive equities and firm commodities added pressure on safe haven assets.
- There were a number of dollar-negative themes floating about with this week's FOMC policy decision on the top of the list. Secondly, a threat by Moody's to shred the US of its AAA credit rating if the country chooses to avoid a fiscal cliff by delaying fiscal tightening due at year-end. Further favourable expectations from German Constitutional court ruling, exacerbated by a decidedly weak greenback.
- The August NFIB small business optimism index increased to 92.9 from the prior 91.2 (cons. 91.4) while economic optimism as measured by IBD/TIPP advanced to 51.8 in September from the previous 45.6. Trade balance figures were also better than expected as the deficit widened slightly in July to \$-42.0B.
- Asian equity markets are trading mixed and Major USD pairs are contained to narrow ranges since morning. As the day will progress, the volatility is likely to increase in the European session when the German Constitutional Court will rule on the legality of the ESM.
- There's also some interesting events lined up outside Europe; US consumer and labor market data due this week; though coming after the Fed's meeting, the only way there is a material impact is if the Fed does not implement QE3 and instead delays the decision until the October policy meeting.

**DXV:** DXV index declined sharply to test a fresh 4-month low of 79.79 to take support of lower Bollinger band in daily chart. As likely the index remained under pressure during the session to currently hover around yesterday's low. The price has also found strong support at 200 weekly EMA. Intraday oscillators are neutral while in Daily all are on the verge to turning up indicating a go back over above 80.00 mark in the index is probable during the day.

**Rupee**

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDINR	Neutral	Down	55.05-55.35	55.00	55.10	55.20	55.27	55.35	55.47	55.55

- The currency strengthened for a second day as exchange data showed foreign funds added \$131 million to their Indian share holdings on Sept. 10. It pared gains after a government report showed factory output grew 0.1 percent in July from a year earlier, falling short of the median forecast of a 0.5% gain, IIP for the month of June stood at -1.8%.
- Indian stocks rose for a sixth day, driving the benchmark index to a more than six-month high, as speculation grew that country from China to the U.S. will take steps to bolster their economies. BSE Sensex, increased 0.4 percent to 17,926.32, headed for its highest close since Feb. 23. The gauge has climbed 3.5 percent in the past six days, the longest winning streak since January; the benchmark has accumulated gains of 16 % this year.
- Overseas funds bought a net \$131 million of shares yesterday, taking investments this year to \$12.6 billion, data from the markets regulator show.
- China's Premier Wen Jiabao said yesterday the nation has room to use fiscal and monetary policy to boost economic growth. Investors are waiting to see if the U.S. Federal Reserve will announce a third round of asset purchases at the end of a policy meeting tomorrow.
- Easing domestic demand and a slowdown in exports as Europe's debt crisis engulfs global growth have hurt manufacturing in countries from India to China. And the negative sentiment is widespread as the investment pipeline for manufacturing is drying up due to which our IIP numbers have been depressive.
- Investors are keenly waiting for the government to overhaul policies to boost economic growth and spur investment by further liberalizing the economy but all such positive attempts have been blocked by opposition hence paralyzing the government efforts.

**USD/INR:** USDINR consecutively opened lower for the second consecutive session at 55.15 suggesting that the bearish bias for the pair is slowly building up. Today's open of 55.15 happens to be a crucial technical support and if the daily close happens below 55.15 it will confirm our bearish bias and hence a decline below 55.00 figure cannot be ruled on the contrary a close above 55.35 will negate our bearish bias and would call for a cautious upside in the pair.

## Euro

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
EURUSD	Neutral	Up	1.2750-1.2970	1.2750	1.2810	1.2850	1.2875	1.2910	1.2940	1.2970

- Euro extended its rally and touched a high of 1.2883. EURUSD continue to find committed buyers ahead of the highly anticipated German Constitutional Court's ruling on the European Stability Mechanism. The pair is currently trading at 1.2874 and waiting for a trigger to find some direction.
- It is believed that the Troika is pressing for the unpopular wage and pensions cuts as well as for the elimination of 150,000 jobs in the public sector before 2015. Greece's Finance Minister Yannis Stournaras admitted that negotiations on the new austerity plan are still being held, but he expressed his confidence that an agreement would be reached shortly.
- As far as German court ruling is concerned, a Reuters poll of 20 legal experts indicate that, there is unanimous consensus for the soon-to-be-established ESM will be approved but with strings as the wildcard, where that strings could mean a German limit on contributions, making a case for euro shorts ahead of the court decision. A 'No' from the court on the ESM would not have just fatal consequences for the euro, but could also spark a constitutional crisis as the upper house ratified the ESM and fiscal pact with constitutional majorities.
- Today, the market will also keep an eye on the Netherlands parliamentary elections, expected to get a strong showing by the Socialists as public opinion seeks to limit austerity plans and support for rescue packages to peripheral economies in the Euro zone.

**EUR/USD:** Currently the pair is trading at 1.2859, and honoring its 200 daily EMA at 1.2870. As long as its previous high of 1.2883 is maintained a downside till 1.2820 is likely a break of the same may push the pair down towards 1.2780. However a strong rally above 1.2890 will negate the above view and the target will be revised to 1.2920.

## Pound

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
GBP	Up	Neutral	1.0280 - 1.0380	1.5850	1.5910	1.5995	1.06090	1.6140	1.6195	1.6245

- Britain's trade deficit narrowed to 7.2 billion pounds for July, as their exports rose the most in close to 9 years helped by oil, chemicals and consumer goods export. Sterling rose in trade and still manages to hold up to its 4 month high levels of 1.06095.
- In a speech by MPC member Miles some interesting thoughts were proclaimed like the UK bank rate was drastically brought down from 5.75% to 0.5% from Dec 2007 to March 2009 and still the economy looks so weak, it seems likely that they would undershoot the inflation target in the medium term.
- A little later in the day the claimant count data for people declaring unemployment is due from Britain with an anticipated jobless rate of 8.0%.
- In other news the FTSE index managed to slump early in trade as Burberry sank 21% post an unexpected profit warning given by the company. Markets stabilized later ending flat at 5792.

**GBP/ USD:** The pair seems likely to consolidate at current levels post a run up and before the FOMC statements. The pair is currently trading at a close to 4 month high of 1.6095 levels. The upside seems capped at least for now at 1.6140 (upper Bollinger band) levels with good support at 1.5995 levels (38.20% retracement of the rise from 1.5825 to 1.6097).

### Yen

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
GBP	Neutral	Down	77.30-78.50	77.30	77.50	77.70	77.83	77.95	78.20	78.50

- At last, the pair was able to break 78.00 marks and fell back to a low of 77.70.
- The Japanese Finance Minister commented in its recent speech that the US, Europe and China all have downside risks to their economies, and thus keeping close watch if risk intensifies further before deciding on additional steps.
- From economic data front, the tertiary industry activity index slid to 0.8% in July, against the expectation of -0.5%. Moreover, machinery orders posted better-than-expected result by 4.6% in July, as compared to a 5.6% gain in previous.

**USD/JPY:** The pair is currently trading at 77.85 with further downside bias till next psychological support at 77.00. On the upside, 21 4-hourly EMA at 78 would act as a strong resistance for the pair.

*Please contact your Mecklai advisor to best understand how the information and analysis contained in this document should be used, given your specific exposures. If you do not have an existing advisor please write to [info@mecklai.com](mailto:info@mecklai.com) to set up the relationship.*

*The information and analysis contained in this document come from sources believed to be reliable and our own internal research; however, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of this information. Nothing contained in this publication shall constitute an offer to sell/purchase or an invitation/ solicitation to do so for any currency, security, commodity or equity. Mecklai Financial Services Ltd. accepts no liability whatsoever for any loss, howsoever arising, from any use of this document, its contents or otherwise arising in connection therewith. No part of this document can be circulated or reproduced in any form without prior approval of Mecklai Financial Services Limited.*