Thursday, September 13, 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	79.50	79.63	80.20	80.65	80.90

- US dollar lost its value against most of its major counterparts as good news transit from Europe thus boosts risk appetite. However, the rally was rather limited as investors braced themselves for today's Federal Open Market Committee decision on Quantitative Easing.
- The most awaited two day FOMC policy meeting will end where the central bank would consider easing monetary policy further this week when he called the labour market's stagnation a grave concern during the speech at Jackson Hole.
- Market is banking on that Fed Chairman Ben Bernanke will certainly announce the QE but the question remains in what form and if he does then how far the Federal Reserve would go considering the political hiccup is impending. As Bernanke has recently come under attack from Republican presidential candidate Mitt Romney, who said he won't reappoint the Fed chairman and criticized his policies as ineffective and a threat to price stability.
- There are chances that he will announce QE3 outright and if not, at bare minimum set expectations for it to happen in October. However, if the Fed were to announce QE3, there's no doubt that the asset purchase program will extend beyond the elections and the fiscal cliff hump.
- Scenarios of different form of guidance and dollar will drive: Low Rates Pledge Extended to Mid 2015 - *Dollar Bearish*, Low Rates Pledge Extended Beyond Mid 2015 - *Very Dollar Bearish*, Open Ended QE3 - *Very Dollar Bearish* and Limited QE3 - *Dollar Bearish*, but Magnitude to Depend on Size and Length of Program.
- At one point, the U.S. elections in November would have mattered to the Fed but after 5 months of weak job growth, no one can disparage the central bank for taking aggressive steps to revive the labor market.
- In addition to the catalyst for the dollar from FOMC meeting, Unemployment claims and PPI are set to release which may add setting the tone in the market.
- The other most drivers for risk sentiment is the Swiss National Bank will be letting the world know if they are changing their floor on the EUR/CHF to a different value.

DXY: DXY index further declined to test fresh lows of 79.52 to fall below support of lower Bollinger band in daily chart before closing the session at 79.70. The price persists to face a range of cluster supports around 79.50 levels which remains protracted. If these supports are held a leap is likely above 80.00 mark. However, in daily chart the strong resistance of 80.57 (200 Daily EMA) is been faced, so unless and until this level is not surpassed the bearish tone remains intact in near term.

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Rupee

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDINR	Neutral	Down	55.35-55.55	55.15	55.28	55.37	55.46	55.52	55.65	55.75

- The rupee rose to a three-week high on Wednesday, as global risk assets benefited from the approval of Germany's top court for the Euro zone's rescue fund.
- Despite the rupee's strong run, continued oil-related dollar demand capped further gains. The rupee closed at USD/INR 55.21/22 versus its previous close of 55.34/35. However today also rupee opened marginally weaker at 55.28 and continued its weakening bias as it marked its intra-day low of 55.46.
- Locally, India's main share index closed at its highest since 23 February on hopes for government reforms after the aviation minister signaled the country was moving to allow foreign direct investment into the sector. The prospect of reforms could provide a boost to the rupee but investors remain wary given the government has yet to deliver on other reforms such as raising fuel prices.
- The range-bound trade of the rupee might be disrupted in the coming weeks as corporate demand to repay around US$8bn of maturing loans and a likely slowdown of inflows due to heightened risk aversion will put pressure on the local unit. Foreign loans, including convertible bonds, are estimated to come up for redemption in September and October, while loans worth $23bn will need to be repaid by the end of the fiscal year.
- In the absence of local reforms, the focus will be the July inflation data on Friday. Wholesale prices are expected to have raised 6.95% y/y in August, slightly higher than July's 6.87%. Data on Wednesday showing industrial output rose 0.1% in July, just below expectations for 0.3% growth, had little impact on domestic rupee market.

USD/INR: USDINR opened higher today 55.28 and has continued its march upwards to mark a high 55.46, yesterdays close above the strong technical support of 55.15 suggests that bearish bias for the pair has taken a beating and a clear direction to the pair would only be provided after the FOMC statement scheduled today. The strong resistance zone is seen in price range of 55.45 to 55.52 which happens to be various moving averages in 1 Hourly & 4- Hourly Charts and hence 55.52 looks unlikely to be breached in today's session hence range bound trading between 55.30 and 55.50 is likely to be witnessed in the remaining part of the session.

Euro

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
EURUSD	Neutral	Up	1.2790-1.2990	1.2790	1.2830	1.2870	1.2914	1.2937	1.2970	1.2990

- It's one-way for the common currency. The common currency extended its northern journey and posted a high 1.2937 and currently quoted at 1.2929.
- Meanwhile in yesterday's session; Germany's highest court cautiously approved the creation of the euro zone's permanent bailout facility. It should ensure that the ESM comes into force within a month; creating €500 billion ($645 billion) of new firepower to aid troubled euro-zone states the news was welcomed with relief and satisfaction in both political and financial circles. Despite this approval it seems that the euro zone's firewall still doesn't have enough resources to protect both Spain and Italy fully from the capital markets at the same time.
- In Netherland, Prime Minister Mark Rutte has been returned to power after elections in the Netherlands showed Dutch voters decisively rejecting eurosceptic fringe parties. Mr Rutte's centre-right Liberals won 41 seats in the 150-member lower house, a slender two-seat lead over the centre-left Labour party on 39 seats.
- 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.
- In bond market, Germany raised €3.972 billion from the sale of its new 5-year Bobls, against a target of €5 billion. The auction for the October 2017 instrument attracted bids totaling € 5.474 billion. The average yield on the five-year debt rose to 0.61% from 0.31 % paid for a security of similar maturity on August 1. The bid-to-cover ratio declined sharply to 1.4 from 2.6.

EUR/USD: After posting its high of 1.2937 in yesterday's session, the pair is presently trading at 1.2913. During the session, a corrective downside till 1.2830 (200 daily EMA) can be witnessed, on the upside its recent high of 1.2937 would act as a pivotal level where a firm break of the same will pave the way for 1.3000.

Sterling

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
GBPUSD	Up	Neutral	1.5975-1.6205	1.5980	1.6030	1.6075	1.6114	1.6150	1.6205	1.6275

- The Sterling continued its rally for the second consecutive session against the dollar while posting fresh multi-month high against the dollar. The pair went on to breach the level of 1.6100 and touched an intra-day high of 1.6131 before closing the session at 1.6105.
- In UK, the number of people claiming jobseeker's allowance declined by 15,000 in August to 1.57 million. Market had expected the number to remain flat in August after falling 13,600 in July. However, the unemployment rate rose unexpectedly to 8.1% in the three months to July, from 8.0% in the in the three months to April.

- The pair posted its intra-day high after risk-on sentiments gained momentum with the German constitutional court approved the euro-zone's new bailout fund. Meanwhile, speculation that Fed is set to implement the third round of easing in the meeting today has pushed the pound higher against the greenback.
- In the European session ahead, the UK will hold a 10-year Bond Auction, which will be key risk event for GBP. However, the major roadblock for the pair remains the FOMC Meet later in the US session.

GBP/ USD – GBPUSD has swiftly breached above the 78.6% retracement level of its fall from 1.6301 to 1.5268 and managed to post the close above the same. The pair is currently trading above this retracement level. A bullish crossover is seen in the daily chart where the 55-day EMA is cutting the 200-day EMA from below while the daily oscillator is in extremely overbought region. Based on this, the intra-day bias in the pair stands to be neutral which the resistance in the pair seen at 1.6152 (upper Bollinger band in weekly chart) while the pair is expected to take support at 1.5932 (5-weekly EMA).

Yen

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
USDJPY	Up	Neutral	77.00-78.50	77.00	77.25	77.50	77.72	78.00	78.25	78.50

- The yield of Japanese long-term spurred, sending benchmark yield to three weeks high. The 10 year yield rose by 0.025 % points to 0.83 percent. Whereas the 20 year yield also climbed by 0.025 % points to 1.675 percent. This spike in yield came with regards to the sell off in the bonds as demand for safe haven assets increased. Similar kind of sell was also witnessed in the American treasuries after the German court cleared the way for ratification.
- On the other side Japanese authorities are considering lowering economic assessment for which is to be released in September report. In August, Japan had considered a downgrade which took place for the first time in 10 months. This probable downgrade comes as a result of weakening exports, consumer spending and industrial production.
- The foreign bond buying program sanctioned by both the ruling and opposition party in Japan is yet to start which is watched as an important factor for boosting growth in the economy.

USD/JPY: The pair is currently trading at 77.75 with further downside bias till next psychological support at 77.00. On the upside, 21 Daily EMA at 78.40 would act as a strong resistance for the pair.

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Australian Dollar

Currency	Trend		Exp.Range	Support			Spot	Resistance		
	Weekly	Fortnightly		S3	S2	S1		R1	R2	R3
AUD	Up	Neutral	1.0415 – 1.0495	1.0290	1.0350	1.0415	**1.0455**	1.0495	1.0545	1.0600

- The AUD regained its losses and is currently trading at close to a 3 week high of 1.0455 levels. The currency has been up all this week, including commodities.

- The next source of energy to boost the Aussie further would have to come from the FED statement which would take it beyond the 1.0500 levels. The median expected inflation rate, reported in the Melbourne Institute Survey of Consumer Inflationary Expectations, remained unchanged at 2.4 per cent in September which is within the Reserve Bank of Australia's (RBA) target band of 2-3 per cent.

- Yesterday China made it clear that they would meet their 2012 target and would use the funds from their fiscal emergency budget to pump up the economy. This gave assurance to commodity driven nations of an efficient demand for their goods in the coming months, helping their currency in trade.

AUD/USD: The pair seems to be moving towards the 1.05 levels after close to 4 weeks and made up for most of the losses it encountered over the past 3 weeks, currently trading at 1.0455 levels. There is an immediate support for the pair at 1.0415 levels breaching which, a 4 hourly cluster EMA at 1.0350 levels would try to hold the currency. On the upside the recent high of 1.0545 levels is reachable with further guidance for the pair depending on the outcome of the FOMC statement.