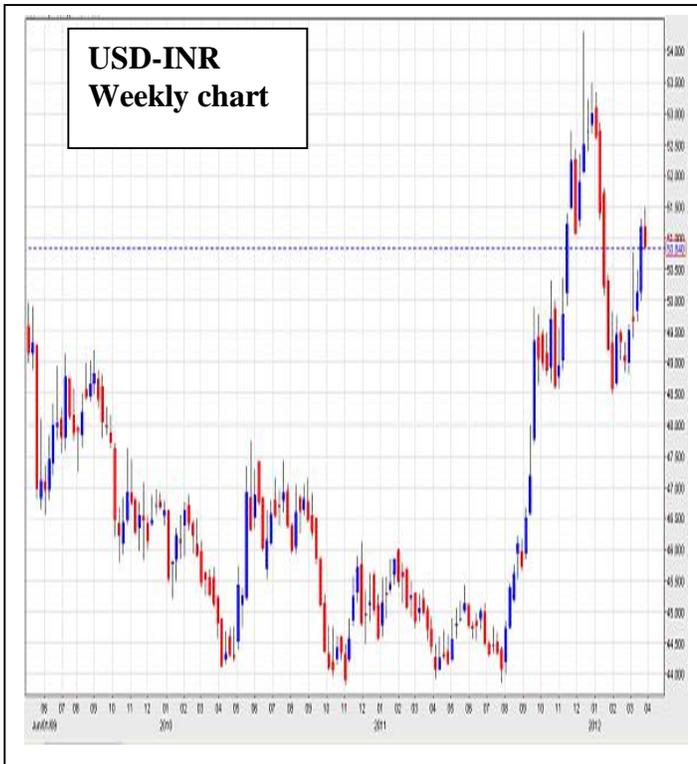


USD/INR	ST Trend of US\$	Target	Reversal	Prev. Close	Supports	Resistances
51.27	Up	51.79	49.65	50.23	50.49-49.65	51.49-51.79



	19/03	26/03	% chg
<b>Currencies</b>			
Dollar (USD-INR)	50.23	51.27	2.07
Euro (EUR-INR)	66.43	68.47	3.07
Pound (GBP-INR)	79.77	81.81	2.56
Yen (INR – JPY)	1.66	1.61	-3.01
USD – EUR	0.76	0.75	-1.32
USD – JPY	83.37	82.87	-0.60
%chg refers to change in value of the base currency. Thus in the case of USD-INR, USD is the base currency			
<b>Equities</b>			
Sensex	17273.37	17052.78	-1.28
Nifty	5257.05	5184.25	-1.38
<b>Debt</b>			
3 mth T - Bill (%)	8.98	8.98	0.00
10Yr G-Sec Yield (%)	8.42	8.47	0.59

Source: Bloomberg & SEBI

### The week gone by

The week gone by saw the Indian Rupee continuing to depreciate against the US Dollar as the USDINR pair gained 2.07% W-o-W. With financial year-end approaching, demand for dollars increased from the corporates. Rising oil prices continued to pressure the rupee as oil companies increased their purchase of dollars.

Speculation of an India sovereign rating downgrade also negatively affected the rupee. Ratings agency Moody's warned that the Budget for the next fiscal year would weaken India's creditworthiness.

The Rupee declined inspite of the fact that foreign institutional investors remained net buyers of local stocks and bonds. The RBI who intervened to support the rupee by selling dollars arrested the Rupee's decline to a certain extent.

### Foreign markets

Last week, financial markets steered clear of risk as data from China and Europe suggested that manufacturing and services sectors are faltering. Ordinary US housing market data intensified global growth concerns. So did Spanish and Italian bond yields which rose in recent days, raising fears that investors are not totally convinced the governments concerned will be able to follow through with the austerity plans, in the face of opposition from some trade unions.

In the currency markets, the Japanese yen rose against all of its 16 major counterparts, marking the first broad-based move this year, as heightened concern about slowing economic growth spurred investor appetite for safe assets. An unexpected trade surplus for February also helped the yen, boosting hopes of economic rebound. W-o-W, the Yen gained 0.6% against the US Dollar.

The euro gained 1.32% against the US dollar to hit a three-week high, in spite of the resurfacing of the euro zone

Sovereign debt fears. The euro was supported by better-than-expected French business confidence figures.

Asian currencies advanced, paring weekly losses, after the Chinese central bank, in a surprise move, set the Yuan's exchange rate at a record high, in an attempt to stop its sell-off amid fears of a slowdown. This move boosted export prospects for other export-driven Asian economies - after all, China is the largest overseas market for Thailand, South Korea and Taiwan. A stronger Yuan will help boost domestic consumption in China.

### Outlook

Looking ahead, the US dollar seems to be at a crucial juncture as it has failed to gain past key resistance levels. This week, in the absence of any key economic data releases, price action is likely to defer to the broader trend. The US equities market trades near multi-year peaks while the dollar continues to fail at critical resistance. All else remaining equal, we could see a weaker greenback in the days ahead.

The rupee may not gain much from a weaker dollar though because, as explained earlier, corporates will increasingly buy dollars. The market sentiment may receive some boost from surprising news that the Chinese Yuan has appreciated.

However, market participants would continue to closely watch the Indian government's finances, especially those related to subsidies. The finance minister has hinted at tough measures ahead in order to stick to the Budget 2012-13 numbers. That is likely to include a fuel price hike. Any government efforts to reduce the subsidy burden would help allay fears of a rating downgrade and boost the market sentiment.

This week also sees the release of the third quarter balance of payments (BoP) data. The December quarter saw rupee slipping sharply as the current account deficit widened and capital flowed out, forcing the RBI to sell dollars to support the rupee.

This implies that the overall BoP is likely to show a deficit. While weaker fundamentals are largely priced in, the BoP data are likely to reiterate the downward pressure, which higher oil prices can exert on the Indian rupee.

Market participants would, therefore, look at the BoP data to assess how much the external fundamentals of the economy can worsen, if oil prices rise or remain flat.

Technically, the USDINR remains in an uptrend and our upside targets for the week are at 51.79.

### Upcoming Major Macro Events

Date	Country	Event	Bloomberg Estimate	Previous Level
29-Mar-2012	USA	Jobless Claims	350k	348k
29-Mar-2012	USA	Real GDP - Q/Q change	3%	3%
03-Apr-2012	USA	FOMC Minutes		

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