

USD/INR	ST Trend of US\$	Target	Reversal	Prev. Close	Supports	Resistances
53.92	Up	54.30	52.67	52.91	53.15-52.67	54.12-54.30



	07/05	14/05	% chg
Currencies			
Dollar (USD-INR)	52.91	53.92	1.91
Euro (EUR-INR)	69.09	69.16	0.10
Pound (GBP-INR)	85.50	86.80	1.52
Yen (INR – JPY)	1.51	1.48	-1.99
USD – EUR	0.77	0.78	1.30
USD – JPY	79.89	79.84	-0.06
%chg refers to change in value of the base currency. Thus in the case of USD-INR, USD is the base currency			
Equities			
Sensex	16912.71	16215.84	-4.12
Nifty	5114.15	4907.80	-4.03
Debt			
3 mth T - Bill (%)	8.44	8.44	0.00
10Yr G-Sec Yield (%)	8.69	8.52	-1.96

Source: Bloomberg & SEBI

The week gone by

The Indian rupee continued to weaken against the US dollar as it posted its longest weekly losing streak since the 2008 global financial crisis. The weakness this week came on the back of data showing a contraction in factory output for March which added to worries about the country's economic outlook.

The rupee remains within sight of a record low of 54.30 against the US Dollar hit in December, having fallen for six consecutive weeks, its longest losing streak since a string of 11 weekly losses in late 2008. W-o-W, the USDINR pair gained 1.91%.

Foreign markets

The euro slipped to a near four-month low on Monday as political turmoil in Greece highlighted the risk it might exit the euro zone, while worries about slowing Chinese and global growth drove down higher-yielding currencies.

Safe-haven currencies, including the dollar and the Japanese yen, rose as coalition talks in Greece hit an impasse on Sunday, increasing the chance of another election.

Euro-zone industrial production unexpectedly fell in March, adding to signs the bloc is heading into recession, further fuelling bearish sentiment, while Spain's short-term debt costs rose at auction and its 10-year yields soared.

Benchmark Spanish 10-year government bond yields were closing in on the 7-percent level that is seen as unsustainable.

Outlook

The threat of a Greek exit certainly raises the risk for a major sell off in the euro/dollar as the fundamental outlook for the region turns increasingly bleak."

Adding to headwinds for the euro, Chancellor Angela Merkel's conservatives suffered a crushing defeat on Sunday in an election in Germany's most populous state, a result that could embolden the left opposition to step up attacks on her European austerity policies.

Some analysts said the European Central Bank may ease further to support the bloc's economy, which could add to euro weakness. With the U.S. economy still holding up, doves in the Federal Reserve may hold off, offering further support to the dollar.

The key driver in our opinion will be how the ECB reacts to the situation. We expect the ECB to ease policy, maybe through unconventional policies in coming months to support the situation in the periphery.

Coming to the Indian markets, worries about India's fiscal challenges and its growth outlook are combining with concerns about foreign outflows.

The central bank has tried to stem the falls with frequent interventions -- though no definitive signs of dollar selling emerged on Friday, after measures such as Thursday's order for exporters to convert half of their forex holdings into rupees.

Traders do not think the Reserve Bank of India will be successful for long. Markets only felt a muted impact after a deputy governor at the central bank said it will continue to target volatility in currencies and appeared to open the door for potential rate cuts.

Moreover, as foreigners are looking at the trade deficit rather than the possibility of rate cuts, we see no major appreciation for the rupee in the short term.

Technically, the USDINR remains in an uptrend and our upside targets for the week are at 54.3.

Upcoming Major Macro Events

Date	Country	Event	Bloomberg Estimate	Previous Level
17-May-2012	USA	Jobless Claims	365k	367k
18-May-2012	India	FX reserve (change on wk)		-2.19 \$bn

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