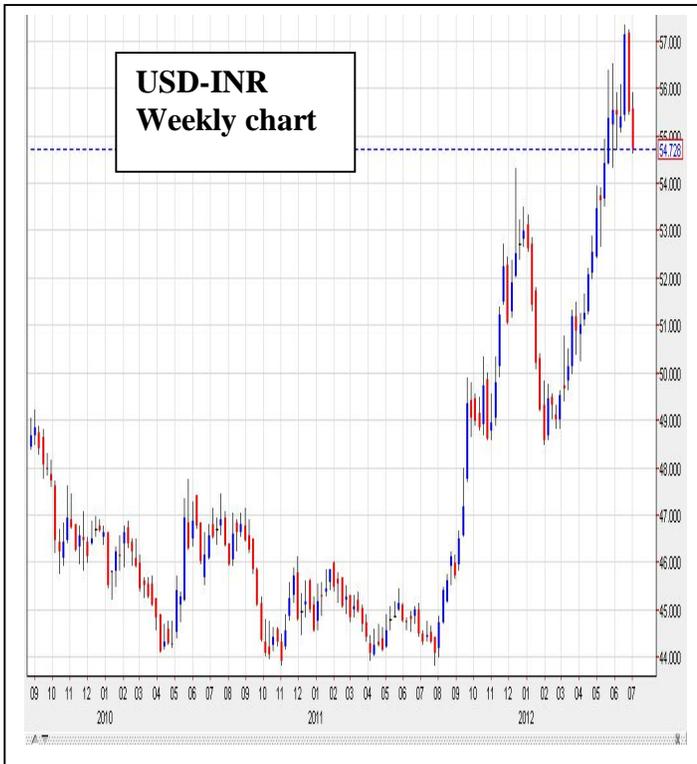


USD/INR	ST Trend of US\$	Target	Reversal	Prev. Close	Supports	Resistances
55.42	Down	54.00	56.80	57.01	54.75-54.35	55.91-56.07



	25/06	02/07	% chg
Currencies			
Dollar (USD-INR)	57.01	55.42	-2.79
Euro (EUR-INR)	71.21	69.74	-2.06
Pound (GBP-INR)	88.65	86.88	-2.00
Yen (INR – JPY)	1.40	1.43	2.14
USD – EUR	0.80	0.79	-1.25
USD – JPY	79.63	79.49	-0.18
%chg refers to change in value of the base currency. Thus in the case of USD-INR, USD is the base currency			
Equities			
Sensex	16882.16	17398.98	3.06
Nifty	5114.65	5278.60	3.21
Debt			
3 mth T - Bill (%)	8.31	8.31	0.00
10Yr G-Sec Yield (%)	8.09	8.17	0.99

Source: Bloomberg & SEBI

The week gone by

The week gone by saw the Indian Rupee strengthening against the US Dollar for the second consecutive week. The Rupee's gains came on the back of dollar sales by investors, following some clarity on certain taxation rules, as also by others looking to bid at the auction for government securities.

The government increased foreign investor limits in government bonds by \$5 billion to \$20 billion. The new limits will be auctioned by the stock market regulator on July 4.

Investors were growing more hopeful of meaningful policy reforms at home after Prime Minister Manmohan Singh, a former central bank governor, took charge of the finance ministry.

The government released draft rules on Thursday and said the general anti avoidance rules, or GAAR, would not apply retroactively, a big concern for portfolio investors. This helped boost foreign inflows which helped the Rupee. W-o-W, the USDINR pair lost 2.79%.

Foreign markets

In the foreign markets, risk aversion rose following a report showing the U.S. manufacturing sector unexpectedly contracted in June for the first time since July 2009. The data was another sign the U.S. economic recovery is slowing and added to uncertainty among investors over a deal to stabilize euro zone debt markets.

It also adds to worries about the fragile state of the U.S. economy. This can set the stage for a soft jobs number that will come on Friday.

Troubling investors was also opposition from Finland and the Netherlands to the use of the euro zone's permanent bailout fund to buy government bonds in the secondary markets.

The stance of the two countries obliterated positive sentiment from last week's summit deal in which European leaders decided that rescue funds would be available to stabilize bond markets.

W-o-W, while the US Dollar lost 1.25% against the Euro, the Greenback lost 0.18% against the Japanese Yen.

Outlook

Europe will remain in the spotlight with the European Central Bank expected to ease policy at a meeting this week.

In the local Indian market, investors have turned bullish on the Rupee after the Indian Government released draft rules last week and said the general anti avoidance rules, or GAAR, would not apply retroactively.

Technically, the USDINR seems to have entered a downtrend after moving below its previous lows. Immediate downside targets are at 54.0.

Upcoming Major Macro Events

Date	Country	Event	Bloomberg Estimate	Previous Level
05-July-2012	USA	Jobless Claims	386k	386k
06-July-2012	India	FX reserve (change on wk)		-0.77 \$Bn

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