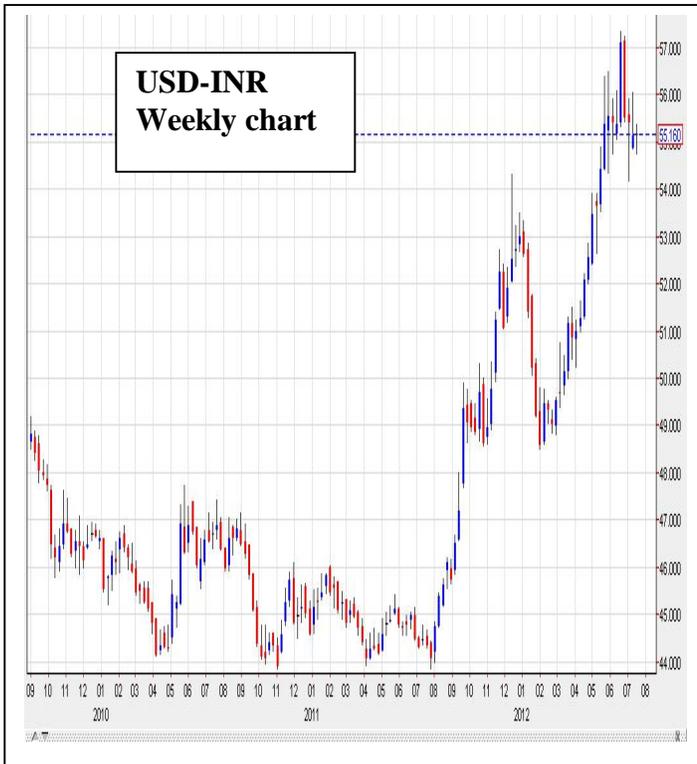


USD/INR	ST Trend of US\$	Target	Reversal	Prev. Close	Supports	Resistances
55.32	Up	56.50	54.17	55.84	54.42-54.17	55.93-56.06



	09/07	16/07	% chg
Currencies			
Dollar (USD-INR)	55.84	55.32	-0.93
Euro (EUR-INR)	68.77	67.88	-1.29
Pound (GBP-INR)	86.79	86.05	-0.85
Yen (INR – JPY)	1.42	1.42	0.00
USD – EUR	0.81	0.81	0.00
USD – JPY	79.56	78.82	-0.93
%chg refers to change in value of the base currency. Thus in the case of USD-INR, USD is the base currency			
Equities			
Sensex	17391.98	17103.31	-1.66
Nifty	5275.15	5197.25	-1.48
Debt			
3 mth T - Bill (%)	8.27	8.23	-0.48
10Yr G-Sec Yield (%)	8.15	8.05	-1.23

Source: Bloomberg & SEBI

The week gone by

The week gone by saw the Indian rupee appreciating against the greenback in spite of a rise in oil prices and weakness in the local equity market. The rupee was supported by net buying of Indian assets by foreign institutional investors (FIIs).

Market sentiment also improved on expectations of monetary stimulus by the RBI and another round of growth-boosting measures by the government. W-o-W, the USDINR pair lost 0.93%.

Foreign markets

Financial markets remained in a risk-off mode last week. Waning global growth — the euro zone crisis drifted back just a bit; GDP growth in China, the world's second-biggest economy, slowed to a three-year low of 7.6% in the second quarter of 2012; recent US corporate earnings were downbeat — remained a key concern for the market.

In terms of investors' priorities, the euro zone crisis, arguably, has been drifting back a bit in recent weeks as declining Spanish and Italian bond yields signaled an easing of tensions. The US second-quarter results season has not got off to a great start, with a number of forecasts causing immense concern.

The euro has fallen about 9.2% against the greenback since hitting a 2012-high at the end of February and was flat over the week. It is also not being helped by falling Chinese foreign exchange reserve accumulation.

Asian currencies fell for a second week as Chinese data added to signs the global economy is slowing, helping drive the worst five-day performance in regional stocks in almost two months. South Korea's won snapped a six-week strengthening streak after the Bank of Korea cut its policy rates and trimmed its 2012 growth forecast to 3% from 3.5%.

Outlook

This week, there won't be any notable data releases or key events (except updates to IMF growth forecasts expected today). That leaves the market open to find its own way.

There is some lingering hope that US Federal Reserve chairman Ben Bernanke might broach the topic of quantitative easing at his Congressional testimony tomorrow and Wednesday. If the topic fails to appear in his testimony, it could disappoint some market people.

The most compelling event risk is the EU finance ministers' meeting on Friday. After two failed efforts to hammer out the specifics about Greece, expectations are likely to be low.

In India, hopes of a rate cut at the end of this month are dependent on inflation data. There is also a likelihood of announcement of another round of growth boosting measures, as was hinted by the Prime Minister's Office. The efforts being made to allay fears over the implementation of general anti avoidance rules or GAAR have already had a favorable impact on the market.

Merchandise trade deficit is narrowing on the back of falling imports growth even as exports register negative growth. Moreover, in trade weighted inflation adjusted terms, the rupee has now tipped into the under-valued zone. Market participants led by FIIs are taking a note of that.

Therefore, any support measures from the government to improve the investment climate will help the Indian Rupee. Any deterioration of the global risk appetite could however lead to pressure on the rupee.

Technically, the USDINR seems to be moving in a sideways manner. This week, the USD-INR pair could trade in the range of 54.17-56.0.

Upcoming Major Macro Events

Date	Country	Event	Bloomberg Estimate	Previous Level
17-July-2012	USA	Consumer Price Index	0.2%	0.2%
17-July-2012	USA	Housing Market Index	30	29
18-July-2012	India	CPI Inflation - Combined (YoY Chg)		10.36%
19-July-2012	USA	Jobless Claims	365k	350k

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