

USD/INR AND CROSS CURRENCY REVIEW:

Important developments: INR declined 3.51% last month as Indian Equity movement was lackluster. USD was range bound against Euro and Cross Currency markets did not provide any big clue to the broad direction of USD. FII'S continue to view Indian market cautiously due to high fiscal deficit, increasing trade deficit, lack of reforms and muted guidance by top IT companies. GAAR also continues to cast its shadow on FDI/FII investment. FII'S were not keen in bidding for unutilized FII limit for G-sec and Indian corporate papers. While, RBI surprised the market with rate cut of 50 bps, the statement was cautious about future direction of monetary policy. S&P lowered Indian Credit rating outlook to negative and Moody blamed Indian Govt for drag in business activity. Trade deficit for last fiscal expanded to USD 185 bn and Current account deficit is close to 4.3% of GDP. Though RBI has been sporadically selling USD, it has generally allowed a gradual decline in INR.

USD traded sideways against Euro despite new debt worries in EU, centered on Spain. Spanish rating was cut by S&P and it has warned that Spanish banks will face difficulty in meeting funding requirements in interbank market. US data has lost some traction in the last few weeks. Jobless claims are on the rise and regional manufacturing indices have softened. Last month payrolls showed that US economy added only 120k jobs and has stirred doubts over sustainability of economic recovery. First quarter GDP slowed to 2.2% as against 3% in last quarter of 2011. Fed has reassured about low rates till 2014 and has retained all options on monetary policy.

UK suffered the first double dip recession since 1970. Construction is still on the downswing and is a major drag on economic growth. However, British Chancellor has vowed to stick to austerity plan.

Bank of Japan expanded asset purchases by 5 trn Yen. Market is disappointed at Japanese central bank action. Yen has gained close to 5% since its low of 84.18.

Overall, Global sentiments have improved, but remain fragile. However, there is always a threat of derailment of the economic recovery and resurfacing of new sovereign crisis in Europe.

OUTLOOK for USD/INR: Bullish trend will continue till 51.45 is not broken on the downside. Important resistances are 53.30/53.50/54.30.

Based on the above and considering the volatility, we suggest the following:

-USD/INR exposures be covered from comfort angle. Buyer's credit be hedged from comfort angle. For trading, buy USD/INR above 52.86 in spot, stop 51.35, target 53.60/54.30.

-USD Imports be hedged till 51.45 is not broken on the downside.

MONTHLY TECHNICAL ANALYSIS:

USD/INR rallied 3.51% last month. The pair is above all moving averages and daily MACD is in buy zone. Monthly trend is still up. Important supports are at 51.45/50.40. Important resistances are at 53.50/54.30. Only a downside break of 51.45 would change the near term to bearishness.

EUR/INR: The pair rallied 2.68% and is above all major moving averages. Daily MACD is in buy Zone and weekly MACD is also in buy Zone. Important support is at 68.50. Important resistance is at 70.60 and later at 71.30. Only a move below 68.50 would abort the bullish outlook. Suggest buy on dips to 68.60 in spot, stop 67.60, target 70.60.

GBP/INR: The pair rallied 5.42% last month and is above all moving average resistances. Daily MACD is in buy zone and weekly MACD is also in buy zone. Important support is at 82. Only a move below 82 would change the bullish outlook for the pair. Resistances are at 86.77 and later at 90. Suggest buy on dips to 83.75 stop 81.75 (spot), target 86.75.

JPY/INR: The pair rallied 5.68% and is above all major moving averages. Daily and weekly MACD are in buy zone. Important support is at 63.25. Important resistance is at 67.40/68.30. Only a move below 63.25 would change the bullish outlook.

CURRENCY MAP

| Currency Pairs | MAR MONTH CLOSE | APR MONTH CLOSE | % change |
|----------------|-----------------|-----------------|----------|
| USD/INR | 50.87 | 52.72 | 3.51 |
| EUR/INR | 67.86 | 69.68 | 2.68 |
| GBP/INR | 81.36 | 85.77 | 5.42 |
| JPY/INR | 62 | 65.74 | 5.68 |

USD/INR MONTHLY CHART



Risk Disclaimer: The views expressed in this report are based on technical analysis. The stop-loss levels mentioned should be strictly followed. There is risk of loss in trading.

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