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Dhaniya (Sell) – Looking for 'Dhan' in Dhaniya

CMP: Rs 12000 (As on 04th Sep)

Sell: Rs 12,000

Target: Rs 10,900-10,100

Stop Loss: > Rs 12,300

Dhaniya is one of the most consistently performing commodity on NCDEX' spices complex. After marking an all-time high this year, the commodity is now showing signs of the beginning of a corrective phase. So, let's weigh the 'early bird' opportunity on technical & fundamental parameters.

On technical chart, the long-lasting impulsive rally began in 2010 and the peak achieved this year looks like 'the tired bull's leg' of this rally. We can see a cluster of negative to indecisive candlesticks which are again forming a sub-cluster of insider candlesticks. This step wise marginal fall has shaped up into a rounding top formation with a mid-term trend line breakdown already in place. Momentum indicators are playing a crucial role here by giving early indications of a correction. RSI and MACD are already in a negative divergence within their negative crossovers while ADX is the highlight among all, displaying an extreme end of main directional line. Volumes are also shrinking since the electrifying commodity is presently in a low momentum.

On fundamental front, there is no supply concern at present in the backdrop of a steady demand. Since 80% of the total crop is consumed locally, export demand is generally consistent but the queries usually slows down in this part of the year as the cultivation stage of the next crop begin a month later.

We recommend Sell Dhaniya October contract at CMP of Rs 12,000 and add more below Rs 11,700 for targets Rs 10,900-10,100 with a stop loss above Rs 12,300.

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CURRENCY OUTLOOK

Dollar index is zooming and reached its 14 months high (near about $84) against other major currencies on the back of ongoing improvement in the US economic health. As of now, the other economic players are getting defensive in their approach and making arrangements for saving their economies from the clutches of domestic deflation.

USD/INR:

In all these situations, heads-off to Apex bank of India, RBI that it is continuously and keen watching the world's major economic activities and responding vigorously. RBI is taking the steps like issuing bonds and selling dollar through state-runs banks is helping Indian rupee strengthen. Also, non-stop inflow of FIIs in domestic share market and opening up of door for FDI is letting rupee to gain grounds. In addition, higher-than-expected GDP growth in Apr-Jun 2014 also suggested that Indian economy may turn the corner after growing below 5% for the last two years.

Overall, USD/INR (CMP Rs.60.70) currency pair may continue to trade in dilemma. However, broader view is still negative. Major support is seen at Rs. 59.50 and then Rs. 58.30; resistance is at Rs. 61.10 and then Rs. 61.65. Best trading strategy for high risk trader is to sell on rise.

EUR/INR:

The EUR/INR is moving into the month trading at Rs.78.64 as on 05th September 2014 touching a long term low as well as its lowest point as the US dollar soared. Incoming economic data for euro zone continues to prove largely disappointing. Following a lackluster start to the year, the already meager economic recovery came to a halt during the second quarter, held back by the region's three largest economies. Moreover, the European Central Bank cut euro zone interest rates and unveiled an asset-backed securities program. Also, heightened geopolitical tension between Europe and Russia over Ukraine is adding to the weakness of European currency.

On technical ground, EUR/INR (CMP Rs.78.64) prices may continue to remain downside till Rs. 77.20 and then Rs.76.00. Immediate resistance is seen at 79.73. Traders who are on the short side can wait and hold for the given support levels.

GBP/INR:

A stiff decline in the GBP/INR is seen since the starting of the September month as traders worried about economic data and the lack of support from the Bank of England. However, the recovery in UK is looking increasingly resilient, with business optimism at the highest level since 1973 and business investment marking a comeback. However, the major economic data from US should be keenly watched if one has to completely analyze the trend of GBP.

On technical ground, GBP/INR (CMP Rs.99.04) prices may continue to remain downside till Rs. 98.20 and then Rs.97.00. Immediate resistance is seen at 100.20.

JPY/INR:

Entering September, JPY/INR is also on its multi-month range and weakened during August (till Rs.58.18), driving technical selling. The BoJ's policy stance remains aggressive as it struggles to meet its 2% inflation goal and sentiment remains bearish in yen. Japan's headline inflation remains temporarily elevated due to last April's consumption tax rate increase. Regardless, we maintain our view that the BoJ may provide additional stimulus by potentially extending and increasing its asset purchase program in the coming months, if the tax hike leads to a prolonged economic downturn. Japan's growth outlook remains challenging.

In the broader term, we recommend selling on rise strategy for the JPY/INR (CMP Rs.57.73). Support is seen at Rs. 57.30; on sustained trade below market is likely to test Rs. 55.00 levels. Resistance is at 58.60 and then 59.20.

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