



**Fundamentals of Forex Market and Trends:**

Last week, rupee appreciated more than one and half percent; snapped it's a four week weak trend against US Dollar, affected by US Fed reserve Bank slashed the cost of emergency dollar loans to foreign banks as the world's major central banks -European Central Bank, the Bank of England, the Bank of Japan, the Bank of Canada and the Swiss National Bank move to boost dollar liquidity whereas Local share positive sentiments and FII inflow also boosted its gain. EURINR ended a strongly bullish week, affected by the sudden intervention from the European Central Bank, GBPINR witnessed incline after four weeks rally, JPYINR fluctuated last week but it was able to end with declined for the second straight week.

**Succinct summation of Previous Week:**

- The U.S. Federal Reserve slashed the cost of emergency dollar loans to foreign banks as the world's major central banks took coordinated action to prevent Europe's debt crisis from triggering a global liquidity crunch.
- The People's Bank of China cut the Banks Reserve's ratio by 50 basis points for the first time in three years.
- Unemployment rate falls to 8.6% in part due to 278k job add in the Household survey, payrolls get revised up by 72k in Sept/Oct.
- US Oct Pending Home Sales jump 10.4%.
- US Consumer confidence raises to 56 from 40.9.
- S&P/CS home price index falls to lowest since Apr '03.
- U.S. Jobless Claims unexpectedly climbed by 6,000 to 402,000 in the week ended Nov.

**Next Week Important Events & Data:**

Bank of England Interest Rate decision, ECB Press Conference and Minimum Bid Rate and US employment report, are among the main market movers for this week.

**Previous Week % change in Currency Market (Nov 25<sup>th</sup> – Dec 2<sup>nd</sup> 2011)**

Currency	Open	High	Low	Close	% change
MCX-SX USD INR	52.50	52.70	51.40	51.44	-1.66
MCX-SX GBP INR	81.09	81.97	80.60	80.67	-0.22
MCX-SX EUR INR	69.51	70.19	69.29	69.35	0.14
MCX-SX JPY INR	67.59	67.59	65.87	66.02	-2.29



## CURRENCY – USDINR



USDINR Dec MCXSX: Took a slight correction this week and settled at 51.44 (v/s 53.03 previous week's close). A long black candle stick is witnessed in weekly chart which is indicating bearish mode to be continued for the coming week also. Prices are sustaining far above short and medium term moving averages signaling downside. Increased volume on bearish candle stick is suggesting entrance of bears at higher levels. The momentum indicator RSI (14) is trading at 0.65 and it is descending from 0.76 (overbought zone) pointing southward for prices. From the analysis we recommend going short in USDINR at 52.00 for the target of 51.14 / 50.80 with stop loss 52.50.

(In Rs.)	SL	Target
Sell at 52.00	52.50	51.14/50.80

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## Major Economic Data &amp; Events Schedule (For Week) that will Impact - USDINR

Date	Time	Economic Indicators	Forecast	Previous	Possible Impact
12/5/11	8:30pm	ISM Non-Manufacturing PMI	53.6	52.9	Positive
	8:30pm	Factory Orders m/m	-0.20%	0.30%	Negative
	10:40pm	FOMC Member Evans Speaks	-	-	-
12/6/11	8:30pm	FOMC Member Tarullo Speaks	-	-	-
12/7/11	9:00pm	Crude Oil Inventories	-	3.9M	-
12/8/11	1:30am	Consumer Credit m/m	7.0B	7.4B	Negative
	7:00pm	Unemployment Claims	397K	402K	Positive
	9:00pm	Natural Gas Storage	-	-1B	-
12/9/11	Tentative	Treasury Currency Report	-	-	-
	7:00pm	Trade Balance	-43.5B	-43.1B	Neutral
	8:25pm	Prelim UoM Consumer Sentiment	65.6	64.1	Positive

## Impact of Major Economic Events &amp; Data –

This week, main focus will be on Bank of England rate decision and ECB summit because there is no major data from US, only services and other reports which have only neutral impact on Dollar. Ongoing fluctuation in the global financial market, central bank decisions that should reflect on swap lines and EU Summit that has fed hope of a conclusive bailout, which will reflect to US Dollar. We expect USDINR will remain strong during the week.



## CURRENCY –EURINR



**EURINR Dec MCXSX:** Volatile session remained this week in EURINR and settled at 69.35. Hammer candle stick witnessed in daily chart with higher volume is suggesting bearish mode. However, the momentum indicator RSI (14) is trading at 0.59 suggesting neutral and sideways momentum may be expected. There is a negative divergence witnessed in the weekly chart suggesting bearish mode. We recommend traders and investor to wait for confirmation in the EURINR for the coming week.

## Major Economic Data &amp; Events Schedule (For Week) that will Impact -EURINR

Date	Time	Economic Indicators	Forecast	Previous	Possible Impact
12/5/2011	3:00pm	Sentix Investor Confidence	-21.4	-21.2	Negative
	3:30pm	Retail Sales m/m	0.20%	-0.60%	Positive
12/6/2011	3:30pm	Revised GDP q/q	0.20%	0.20%	Neutral
	4:30pm	German Factory Orders m/m	1.00%	-4.30%	Positive
12/7/2011	2:30pm	Italian Industrial Production m/m	-0.20%	-4.80%	Neutral
	4:30pm	German Industrial Production m/m	0.30%	-2.70%	Positive
12/8/2011	12:00pm	French Final Non-Farm Payrolls q/q	0.20%	0.00%	Positive
	6:15pm	Minimum Bid Rate	-	1.25%	Positive
	7:00pm	ECB Press Conference	-	-	-
12/9/2011	12:30pm	German Final CPI m/m	0.00%	0.00%	-
	1:15pm	French Industrial Production m/m	0.00%	-1.70%	Negative
	1:15pm	French Gov Budget Balance	-	-92.7B	-
	All Day	EU Economic Summit	-	-	-

## Impact of Major Economic Events &amp; Data -

This week, eyes will be only focus on ECB rate and EU summit, on Thursday European Central Bank will start the session with the Interest Rates Decision for December; expectation is that the Governing Council could have cut the key rate to 1.00% from 1.25% while EU summit to the end of the week, where leaders will discuss the treaty change as Germany and France push for tighter fiscal consolidation and coordination to ensure the strength of the union while also they will finalize the details of the EFSF with the possibility of discussing the IMF as the source for funding. We expect EURINR remain strong during the week.



## CURRENCY – GBPINR



entering into an overbought mode till 0.72. We recommend going short in GBPINR at 80.90 for target of 80.20 / 79.80 with stop loss of 81.45.

(In Rs.)	SL	Target
Sell at 80.90	81.45	80.20/79.80

GBPINR Dec MCXSX: As per our expectation GBPINR came down this week and settled at 80.67 after making a high of 81.97. A bearish hammer candle stick in weekly chart is suggesting downside to be continued for the coming week. As per the Gann fan principle prices are expected to correct till 45 degree Gann line till 79.60 levels. Prices are still sustaining above short and medium term moving averages and are expected to come down. Volumes are rising at the higher levels is confirming the correction mode. The momentum indicator RSI (14) is at 0.65 and descending after

## Major Economic Data &amp; Events Schedule (For Week) will Impact - GBPINR

Date	Time	Economic Indicators	Forecast	Previous	Possible Impact
12/6/2011	5:31am	BRC Retail Sales Monitor y/y	-	-0.60%	-
	6th-7th	Halifax HPI m/m	-	1.20%	-
12/7/2011	3:00pm	Manufacturing Production m/m	-0.10%	0.20%	Negative
	3:00pm	Industrial Production m/m	-0.30%	0.00%	Negative
	8:30pm	NIESR GDP Estimate	-	0.50%	-
12/8/2011	5:30pm	Asset Purchase Facility	275B	275B	Neutral
	5:30pm	Official Bank Rate	0.50%	0.50%	Neutral
	Tentative	MPC Rate Statement	-	-	-
12/9/2011	3:00pm	PPI Input m/m	0.30%	-0.80%	Positive

## Impact of Major Economic Events &amp; Data –

Bank of England rate decision to be focus this week, which will be announced on Thursday forecasts refer to no change in the bank's monetary policy as policy makers are expected to keep both interest rate and APF quantity at 0.50% and 275 billion pounds which will have neutral impact on GBPINR. The weekends with the release of PPI figures for Nov. which may affect GBPINR movements as it gives some evidence about inflation before the release of CPI gauge. We expect GBPINR will take some correction during the week.



CURRENCY – JPYINR



**JPYINR DEC MCXSX:** Black opening morubozu candle stick with high volume is witnessed in the weekly chart suggesting bearish mode to be continue for the coming week. Negative divergence in RSI (14) with prices and a crossover between RSI (14) and Moving Average (9) is confirming the negative trend.

Major Economic Data & Events Schedule (For Week) will Impact - JPYINR

Date	Time	Economic Indicators	Forecast	Previous	Possible Impact
12/7/2011	10:30am	Leading Indicators	91.80%	91.60%	Negative
12/8/2011	5:20am	Core Machinery Orders m/m	0.80%	-8.20%	Negative
	5:20am	Current Account	0.54T	1.19T	Negative
	10:30am	Economy Watchers Sentiment	47.10	45.90	Positive
12/9/2011	5:20am	BSI Manufacturing Index	11.40	10.30	Positive
	5:20am	Final GDP q/q	1.20%	1.50%	Negative
	5:20am	Final GDP Price Index y/y	-1.90%	-1.90%	Neutral
	5:20am	M2 Money Stock y/y	2.70%	2.70%	Positive

Impact of Major Economic Events & Data -

Japan will release the final reading for the third quarter Gross Domestic Product where the previous reading showed that the Japanese economy grew by 1.5% that will have positive impact on JPYINR. Movement likely to remain big confusion for trader, as any intervention from the Bank of Japan will take the pair correction while risk aversion could returns to market as strong as before which will increase demand for the yen as a safe haven.



*Note: Economic data expectations are based on median forecast by economists or Reuters and Bloomberg survey. Here positive impact indicates currency could appreciate and negative indicates currency could depreciate in comparison with US Dollar.*

Source of economic data – [www.forexfactory.com](http://www.forexfactory.com)

For any queries please email us at: [research@arihantcapital.com](mailto:research@arihantcapital.com)

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**ARIHANT capital markets Ltd.**

3<sup>rd</sup> Floor Krishna Bhavan, 67 Nehru Road, Vile Parle (E), Mumbai – 400057  
T. 022-42254800 F. 022-42254880

[www.arihantcapital.com](http://www.arihantcapital.com)