

DOMESTIC HIGHLIGHTS

INDICATORS	23-July-10	16-July-10
FOREX RATES		
US DOLLAR	46.95	46.77
EURO	60.57	60.76
POUND	72.35	71.92
100 JAPANESE YEN	53.63	53.78
FWD PREMIA %		
1 MONTH	4.91	4.80
3 MONTH	4.74	4.55
6 MONTH	4.16	4.01
12 MONTH	3.60	3.40
INDICATORS		
INFLATION %	8.56	10.55
FOREX RESERVE (\$bn)	281.90	279.42
OVERNIGHT RATES		
NSE O/N MIBOR	5.70	5.60
CALL RATE	5.60	5.70
CBLO RATE	5.49	4.69
REPO RATE	5.50	5.50
TERM MONEY RATE		
NSE 14 DAY MIBOR	5.82	5.87
NSE 1 M MIBOR	6.15	6.11
NSE 3 M MIBOR	6.49	6.46
SHORT TERM PAPER		
90-DAY COMM. PAPER	7.03	6.86
CUT OFF YIELD %		
91 DAY TBILL	5.74	5.41
182 DAY TBILL	5.95	5.78
364 DAY TBILL	5.69	5.65
WORLD MARKETS %		
SENSEX	18130.98	0.98
DOW JONES	10424.62	3.24
FTSE	5312.62	2.98
SHANGHAI	2572.03	6.09
HSI	20815.33	2.79
NIKKEI	9430.96	-2.63

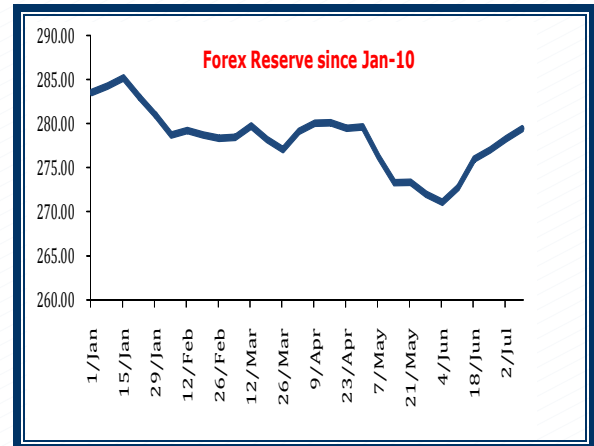
- ✓ **Economic Advisory Panel said in a report** -- India's economy is expected to grow 8.5 percent in the fiscal year that ends in March 2011. The panel also expects farm output growth at 4.5 percent in 2010/11 and net capital inflows projected to be \$73 billion.
- ✓ Indian overnight cash rate inched up on Friday, staying above the central bank's 5.5 percent lending rate at 5.70/5.80 pct on persistent tightness after last month's heavy outflows. Banks have been short of cash since early June after telecom companies paid over 1 trillion rupees for spectrum to the government, while federal spending, which could have driven the funds back into the system, failed to pick up pace.
- ✓ India's food inflation eased and fuel inflation was flat in early July. The food price index rose 12.47 percent in the year to July 10, against its 12.81 percent reading in the previous week. Food price inflation eased on lower prices of wheat, pulses and vegetables, government data showed on Thursday. The fuel price index rose an annual 14.27 percent, while the primary articles index was up 16.48 percent, compared with the previous week's reading of 16.25 percent.
- ✓ India's exports registered a growth of 30.4% in June this year at US \$ 17.75 billion as compared to \$ 13.5 billion during same period last year. The first quarter (April-June 2010-11) exports reached a level of US \$ 50.8 billion at a growth of 32.2% while the imports were \$ 83 billion with a growth of 34% and a trade deficit of \$ 32.2 billion.
- ✓ India's total spices exports in April-June rose by 17 percent to 148,730 tonnes on higher demand for chilli, ginger and coriander compared to 127,265 tonnes in the year-ago period. However, exports of pepper and cuminseed fell during the period.

WATCH FOR NEXT WEEK'S KEY RELEASES

- **July 27: RBI's Credit policy review**
- **July 28: T-Bills auction** worth 20 bln rupees of 91-day and 10 bln rupees of 364-day T-Bill.
- **July 29: WPI components (YOY)**; Week ended July 17 Primary Articles, Prior 16.48%, Fuel Power & Light, Prior 14.27%.

FOREIGN EXCHANGE RESERVES

RESERVES	July 16, 2010	July 09, 2010	July 17, 2010
FOREIGN CURRENCY ASSETS	255677	253268	255138
GOLD	19894	19894	9800
SDRs	4987	4932	1
RESERVE TRANCHE POSITION	1343	1328	1248
TOTAL	281901	279422	266187


INR CROSS CURRENCIES

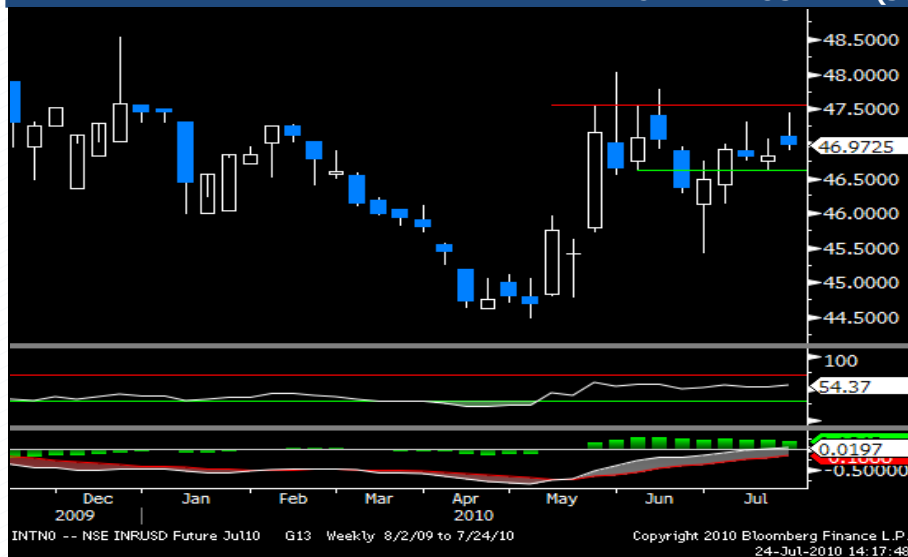
CURR	OPEN	HIGH	LOW	CLOSE	CHG
EUR/INR	60.31	61.35	59.76	60.59	0.30%
GBP/INR	71.47	72.58	71.15	72.35	1.09%
AUD/INR	40.52	42.09	40.39	41.96	3.25%
NZD/INR	33.18	34.21	32.91	34.09	2.56%
JPY/INR	0.5407	0.5482	0.5366	0.5382	-0.39%
CHF/INR	44.58	45.35	44.56	44.92	0.91%
CAD/INR	44.27	45.65	44.20	45.16	2.11%
USD/INR	47.06	47.39	46.90	46.95	0.37%

TECHNICAL PERSPECTIVE

LAST TRADE AT NSE

CURR	OPEN	HIGH	LOW	CLOSE	CHG %
USDINR Spot	47.01	47.07	46.90	46.95	-0.39%
USDINR (JUL)	46.98	47.09	46.92	46.97	-0.45%

WEEKLY CHART – USDINR (JULY)



Technical View: Past two day's powerful move to Friday's low at 46.90 off its weekly high at 47.38 will look to extend towards the 46.76 extension target at July 18's reaction low at 46.64. However, a break above 47.38 is required to improve the technical picture, opening the June 6 reaction high at 47.55. Support lies at 46.75, which would put bears back in control.

CURR	EXPECTED RANGE	SUPPORT			PIVOT	RESISTANCE		
JULY		S3	S2	S1	P	R1	R2	R3
USDINR	46.70-47.20	46.22	46.57	46.75	47.09	47.27	47.62	47.79
EURINR	60.20-61.18	58.19	59.26	59.96	61.03	61.73	62.80	63.50
GBPINR	72.30-73.15	70.49	70.92	71.67	72.10	72.85	73.28	74.03
JPYINR	53.20-54.12	51.82	52.59	53.22	53.99	54.63	55.40	56.03

Recap: Indian rupee recouped its losses partially this week against the dollar as speculation over interest rate hike in the next week's policy meeting on July 27 and stickiness in euro well below \$1.30 level prompted hefty offerings of dollars by exporters at spot market. Further, the arbitrage play between the onshore and offshore rates seen in past few sessions which proved to be the major catalyst for attracting speculative demand for dollars seemed to have faded later in the week on liquidity concerns. We just saw India's call rates crimping above the repo rate at 5.60% on liquidity concerns which had definitely pushed rupee off its weakest level since June 7 at 47.385 to end the week higher at 46.94. Meanwhile at global bourses, euro was benefited earlier in the week from a run of surprisingly strong data recently that have contrasted sharply with the weaker numbers from the U.S, but if fell ending its longest weekly rally in nine months versus the dollar, on concern stress tests of European Union banks failed to identify sources of weakness that would aggravate the region's debt crisis. The euro slumped 3.1 percent to A\$1.4414 versus Australia's currency and 2.5 percent to NZ\$1.775 against its New Zealand counterpart. Against yen, dollar had ended up nearly 1% at 87.46.

Fundamental View: Indian rupee would continue with its positive streak against the dollar in the next week on account of follow-on rally in major currencies on Friday and anticipated gains in stock market on bullish close on Wall street. Meanwhile, weaker yen and domestic rate hike in case happen would fuel rupee-yen carry trade on fire. However later in the week, the data focus would shift to US with its first estimate of Q2 GDP to be released on Friday.

GLOBAL HIGHLIGHTS
TENOR RATES

TENOR	MIFOR	USD LIBOR	EURO LIBOR	GBP LIBOR	JPY LIBOR
1 MONTH	5.5300	0.3269	0.5788	0.5713	0.1550
3 MONTH	5.3200	0.4931	0.8213	0.7397	0.2419
6 MONTH	4.8900	0.6970	1.1044	1.0319	0.4425
12 MONTH	4.6800	1.0747	1.3806	1.4744	0.6713

MAJOR CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG %
EUR/USD	1.2948	1.3029	1.2733	1.2909	-0.16%
GBP/USD	1.528	1.5450	1.5125	1.5425	0.81%
NZD/USD	0.7097	0.729	0.703	0.7273	2.34%
CAD/USD	1.0562	1.0587	1.0346	1.0358	-2.12%
USD/JPY	86.92	87.58	86.34	87.46	1.03%
EUR/JPY	112.35	113.35	110.02	112.9	0.84%
AUD/JPY	75.2	78.45	74.69	78.33	4.13%
USD/CHF	1.0520	1.0564	1.0395	1.0543	0.31%
EUR/CHF	1.3584	1.3677	1.3342	1.3616	0.27%
DXY	82.64	83.45	82.18	82.46	-0.03%

ASIAN CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG %
USD/SGD	1.3779	1.3833	1.3699	1.3703	-0.45%
USD/THB	32.32	32.36	32.14	32.23	-0.09%
USD/KRW	1216.9	1219.03	1195.04	1199.15	-0.35%
USD/CNY	6.7748	6.7843	6.7748	6.7799	0.08%
USD/MYR	3.2135	3.2315	3.193	3.2	-0.25%
USD/IDR	9075	9080	9040	9040	-0.02%
USD/PHP	46.43	46.67	46.28	46.31	0.00
USD/TWD	32.09	32.20	32.07	32.11	0.00%
USD/HKD	7.7719	7.779	7.765	7.7681	-0.09%
USD/INR	47.06	47.39	46.90	46.95	0.37%

WEEK AHEAD IN U.S.

Date	Day	Time	Release	Period	Consensus	Previous
26/07/2010	Monday	18:00	Chicago Fed Nat Activity Index	JUN	- -	0.21
26/07/2010	Monday	19:30	New Home Sales MoM	JUN	6.70%	-32.70%
26/07/2010	Monday	20:00	Dallas Fed Manf. Activity	JUL	- -	-4.00%
27/07/2010	Tuesday	18:30	S&P/CaseShiller Home Price Ind	MAY	- -	144.56
27/07/2010	Tuesday	19:30	Richmond Fed Manufact. Index	JUL	- -	23
27/07/2010	Tuesday	19:30	Consumer Confidence	JUL	51.8	52.9
28/07/2010	Wednesday	2:30	ABC Consumer Confidence	25-Jul	- -	-45
28/07/2010	Wednesday	16:30	MBA Mortgage Applications	23-Jul	- -	7.60%
28/07/2010	Wednesday	18:00	Durable Goods Orders	JUN	0.80%	-1.10%
28/07/2010	Wednesday	23:30	Fed's Beige Book	28-Jul		
29/07/2010	Thursday	18:00	Initial Jobless Claims	24-Jul	- -	464K
29/07/2010	Thursday	18:00	Continuing Claims	17-Jul	- -	4487K
30/07/2010	Friday	18:00	GDP QoQ (Annualized)	2Q A	2.50%	2.70%
30/07/2010	Friday	18:00	Personal Consumption	2Q A	2.30%	3.00%
30/07/2010	Friday	18:00	GDP Price Index	2Q A	1.10%	1.10%
30/07/2010	Friday	18:00	Core PCE QoQ	2Q A	1.00%	0.70%
30/07/2010	Friday	18:00	Employment Cost Index	2Q	0.50%	0.60%
30/07/2010	Friday	19:15	Chicago Purchasing Manager	JUL	56	59.1
30/07/2010	Friday	19:25	U. of Michigan Confidence	JUL F	67.5	66.5

HIGHLIGHTS**US Eco Data:**

- ✓ **US housing starts** dropped by 5.0%, to a seasonally adjusted annual rate of 549,000. The 5.0% drop in starts was more than forecast and brought construction to the lowest level since October 2009. New-home sales collapsed by 33% in May. Annually, the housing starts were down 5.8% in June, while May starts plunged 14.9%, instead of the initially estimated 10.0% decrease.
- ✓ **US building permits** increased 2.1% in June to an annual rate of 586,000. May permits had fallen 5.9%, reaching an annual rate of 574,000. The single-family housing starts in June dropped 21.5% to an annual rate of 95,000 and multi-family category was down by 19.3%. Regionally, housing starts in June fell 2.4% in the South, 11.3% in the Northeast, 6.9% in the Midwest, and 5.9% in the West.
- ✓ **US initial jobless claims** benefits increased by 37,000 to 464,000 in the week ended July 17. The previous week's level of claims was revised only slightly downward, from 429,000 to 427,000. **US continuing claims** -- those drawn by workers for more than one week in the week ended July 10 declined by 223,000 to 4,487,000 from the preceding week's revised level of 4,710,000.
- ✓ **US leading indicator** fell 0.2% in June, after rising a revised 0.5% in May that had first been reported as a 0.4% gain. The coincident index was unchanged in June after rising a revised 0.5% in May that was first reported as a 0.4% gain. The lagging index rose 0.1% last month after falling an unrevised 0.1% in May.

UK Eco Data:

- ✓ **UK GDP** grew at its fastest pace in more than four years in the second quarter. The economy expanded 1.1% on the quarter and 1.6% on the year between April and June. In the first quarter, the economy expanded 0.3% on the quarter and declined 0.2% on the year. The biggest contribution came from the services sector, which expanded 0.9% on the quarter. Total production expanded 1.0% on the quarter, construction expanded 6.6%.
- ✓ **UK Retail sales** were 0.7% higher than in May and rose 1.3% from June last year. In May, sales increased an upwardly revised 0.8% on the month, but the YoY gain was revised down to 1.7%. Excluding automotive fuel, retail sales rose 1% from May, taking the annual growth to 3.1% in June.
- ✓ **UK CBI industrial total orders** balance improved to -16 from June's -23, its strongest level since August 2008. But the export orders balance fell to -12 in July from -2 in June. The expectations of industrial output over the next three months fell to +6 in July from +15 in June. The volume of output over the three months to July hit its highest since April 1995, at +24 from +1 in April.
- ✓ **UK public sector** borrowed a net GBP14.5 billion in June, down from GBP14.7 billion a year earlier. The Central government tax receipts rose 4.0% on the year in June. Taxes on income and wealth were up just 0.8% on the year. The public sector net borrowing totaled GBP40.3 billion in the current financial year starting from April versus GBP40.9 billion in the same period last year.

Euro zone Eco Data:

- ✓ **Euro zone PMI composite index** rose to a three-month high of 56.7 in July from 56.0 in June. The manufacturing PMI for the euro zone rose to 56.5 in July from 55.6 in June, while the services PMI also increased in July to 56.0 from June's 55.5.
- ✓ **Euro zone industrial order** rose 3.8% in April and was up 22.7% from May 2009. Orders in both France and Germany, two of Europe's largest economies, fell. Order levels surged 6.8% in the Republic of Ireland, rose 3.9% in Spain, and was up 5.4% in Italy. The largest fall was recorded in Greece, down 6.1%.

- ✓ **German composite PMI** expanded at the fastest pace in three months, as index rose to 59.3 from June's 56.7. The services PMI rose to 57.3 in July, the highest level since August 2007 and compared with 54.8 in June. The manufacturing PMI rose sharply to a three-month high of 61.2 in July from 58.4 in June.
- ✓ **Germany IFO business climate index** for German rose to 106.2 in July from 101.8 recorded in June. The current assessment index rose to 106.8 from 101.2 and the expectations index moved to 105.5 from 102.5.
- ✓ **French consumer spending index** dropped 1.4% in June from May and fell 1.9% from a year earlier. The May consumer spending growth was revised down to 0.6% from a previous estimate of 0.7%.
- ✓ **Italian retail sales** dropped an unadjusted 1.9% on the year in May, after falling 0.6% in April. April's yearly figure was revised down from a 0.5% drop against previously reported 0.3% decline on the month. Seasonally-adjusted sales in May fell 0.3% on the month.

Asian Eco Data:

- ✓ **Taiwan industrial order** grew at a pace of 22.48% in June. Exports of electronic products were up 26.91% annually and chemicals increased 33.33%. Increase in machinery export was 34.52%. Annually, exports climbed 34.1% in June, much slower than the 57.9% **increase** in May.
- ✓ **Singapore's consumer prices rose** slower-than-expected in June due to a slower pace of increase in transportation costs. The consumer price index--a measure of costs for goods and services--rose 2.7% in June from a year earlier, compared with a 3.2% expansion in May.
- ✓ **Thailand attracted 7.5 million visitors** in the first six months of the year, up 13.7% from a year earlier, despite a months-long anti-government protest which scared off tourists and paralyzed parts of Bangkok.
- ✓ **Singapore's private residential property prices** rose 5.3% in the second quarter from the previous three months, slowing from the first quarter's 5.6% rise.

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