

Domestic Highlights

INDICATORS	05.03.10	26.02.10
FOREX RATES		
US DOLLAR	45.62	46.09
EURO	61.94	62.84
POUND	69.03	70.26
100 JAPANESE YEN	50.51	51.84
FWD PREMIA %		
1 MONTH	3.64	2.66
3 MONTH	3.23	2.95
6 MONTH	3.01	2.73
12 MONTH	2.85	2.62
INDICATORS		
INFLATION % (Monthly)	8.56	8.56
FOREX RESERVE (\$bn)	278.36	278.67
OVERNIGHT RATES %		
NSE O/N MIBOR	3.34	3.35
CALL RATE	3.35	3.35
CBLO RATE	3.04	2.69
REPO RATE	4.75	4.75
TERM MONEY RATE %		
NSE 14 DAY MIBOR	3.87	3.69
NSE 1 M MIBOR	4.41	4.17
NSE 3 M MIBOR	5.27	4.97
SHORT TERM PAPER		
90-DAY COMM. PAPER	6.40	6.10
CUT OFF YIELD %		
91 DAY TBILL	4.22	3.98
182 DAY TBILL	4.70	4.00
364 DAY TBILL	5.01	3.68
WORLD MARKETS %		
SENSEX	16994.49	4.55
DOW JONES	10566.20	2.33
FTSE	5599.76	4.58
SHANGHAI	3031.07	-0.68
HSI	20787.97	0.87
NIKKEI	10368.96	2.40

WEEKLY DEVELOPMENTS

- India's exports rose for the third month running in January while non-oil imports also surged, reflecting the rebound in industrial activity in Asia's third-largest economy. Exports jumped 11.5% from a year earlier to \$14.34 billion, after having increased 9.3% to \$14.61 billion in December. Imports surged 35.5% in January to \$24.70 billion while oil imports galloped 56% to \$7.05 billion. Non-oil imports, a barometer of investment activity, grew 28.8% to \$17.65 billion. While trade deficit widened 93.3% in January to \$10.36 billion
- India's manufacturing expanded for a third straight month in February, helped by stronger new orders, output and employment. The seasonally adjusted HSBC Purchasing Managers' Index, prepared by Markit, rose to 58.5 in February from January's 57.6. A figure above 50 indicates expansion. HSBC Services Business Activity Index rose to 60.9 in February from 59.0 in January.
- India's February oil meal exports slumped 26 percent from a year earlier, falling for the fourth straight month on weak demand from Vietnam, China, Indonesia and Japan. Exports of oil meal, used as animal feedstock, fell as much as 14.3 percent on monthly basis and 329,448 tones from 444,425 tones on yearly basis. Soy meal exports, which shared the bulk of sales, plummeted 41 percent to 220,552 tones in February from 375,098 tones a year earlier. Annual soy meal exports also showed a declining trend since November due to weak crushing of soybean crop.
- Indian shares posted their best weekly gains in 2010 as they closed 0.1 percent higher on Friday on positive global cues, with banks leading the rally, but concerns over stretched valuations limited gains. The 30-share BSE index closed 0.13 percent or 22.79 points higher to finish at 16,994.49, taking its gains in the holiday-shortened week to 3.4 percent.

NEXT WEEK EVENTS TO WATCH

- Mar 09:** Seven states would raise a total of 54.47 billion rupees via 10-year state loan
- Mar 10:** India's central bank will auction 50 billion rupees of 91-day treasury bills and 30 billion rupees of 364-day treasury bills.
- Mar 11:** For week ended Feb 27; Primary Articles (YOY), Prior 15.00%; Fuel, Power Light (YOY), Prior 8.56%.
- Mar 12:** Jan Industrial Production (YOY), Prior 16.8%.

FOREIGN EXCHANGE RESERVES

in million US Dollar

RESERVES	26.02.10	19.02.10	27.02.09
FOREIGN CURRENCY ASSETS	253991	254203	238715
GOLD	17920	18056	9746
SDRs	5053	5027	1
RESERVE TRANCHE POSITION	1393	1386	816
TOTAL	278357	278672	249278

INR CROSS CURRENCIES

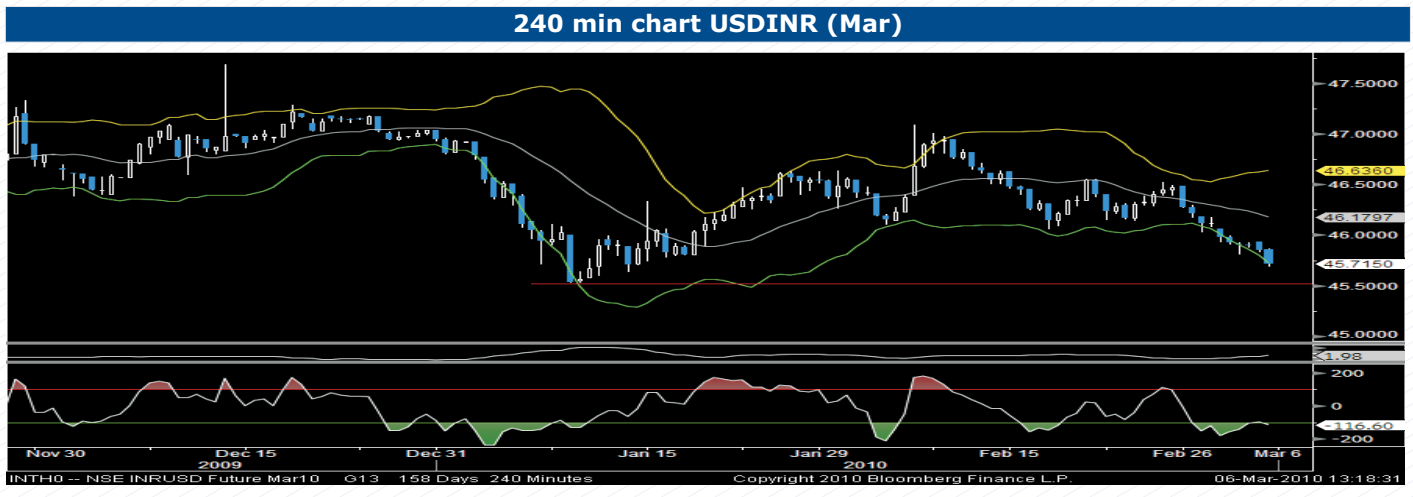
CURR	OPEN	HIGH	LOW	CLOSE	CHG
EUR/INR	62.74	62.98	61.69	61.94	-1.44%
GBP/INR	69.88	70.09	68.27	69.03	-1.76%
AUD/INR	41.31	41.63	40.96	41.40	0.25%
NZD/INR	32.22	32.35	31.28	31.78	-1.29%
JPY/INR	0.52	0.52	0.50	0.51	-2.57%
CHF/INR	42.93	43.03	42.21	42.45	-1.16%
CAD/INR	43.71	44.60	43.61	44.30	1.04%
USD/INR	45.99	46.10	45.61	45.62	-1.02%



TECHNICAL PERSPECTIVE

LAST TRADE AT NSE

CURR	OPEN	HIGH	LOW	CLOSE	CHG
USDINR Spot	45.78	45.81	45.61	45.62	-0.44%
USDINR (Mar)	45.94	45.94	45.70	45.72	-0.40%



CURRENCY	SUPPORT			PIVOT	RESISTANCE		
	S3	S2	S1		P	R1	R2
INR SPOT	44.96	45.28	45.45	45.77	45.94	46.26	46.43
USDINR (MAR)	45.07	45.38	45.55	45.86	46.03	46.34	46.51

View

Recap: Indian rupee climbed to six-week high against dollar while completing its fourth weekly advance as demand prospects for the unit improved at home this week mostly ahead of upcoming NMDC issue due next week and advance tax to be paid by the companies by March 15. Initially in the week, the home currency drew major support from the Asian currencies, which had hit multi week as well as multi months high against dollar as World stocks cheered on easing worries over Greece debt issue. But by the end of the week, good arbitrage play between NDF and onshore rate pushed dollar down below 45.80 levels below which exporters heavy selling pushed dollar down to the lowest level since since Jan. 19, anticipating that it would further fall from those levels. The rupee has gained 1.1 percent on the week, its best since a 1.9 percent rise seen in the week to Jan. 8

Fundamental View: Going forward in the next week, Indian rupee could be -- talk of the town, as improved risk appetite in higher yielding assets seen last week in European markets would fuel sharp rally in Asian currencies via Asian stock markets thereby aiding our home currency to convincingly breach its three month high of 45.26. While On Global front, significant depreciation in yen would fund more carry trades now which is quite evident from the yen-crosses that jumped sharply higher implying the risk aversion has taken a back seat for now. However the healing labor market, seen as key to the economy's turnaround, which could lead investors to the greenback as evens would rise for an increase in key interest rates and return expansionary monetary policy to normal by the Fed.

Technical View: USDINR(Mar) contract looks bearish on daily chart and is expected to reach the nearest support area at 45.53 in the next week. However, given that the spot dollar has nearest support at 45.26, the March contract is equally good at 45.34. In the week ahead USDINR (Mar) is expected to trade in 45.34-45.85 range with a bounce back expected to 45.82. Traders can go short at those levels for a target of 45.40 and place stop loss at 45.95.

Global Highlights
TENOR RATES

TENOR	MIFOR	USD LIBOR	EURO LIBOR	GBP LIBOR	JPY LIBOR
1 MONTH	4.0900	0.2291	0.3819	0.5400	0.1569
3 MONTH	3.5500	0.2536	0.5981	0.6438	0.2500
6 MONTH	3.4500	0.3900	0.9081	0.8706	0.4513
12 MONTH	3.7600	0.8506	1.1975	1.3050	0.6775

MAJOR CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG
EUR/USD	1.3646	1.3736	1.3436	1.3626	-0.04%
GBP/USD	1.5201	1.5209	1.4784	1.5137	-0.66%
NZD/USD	0.6985	0.7017	0.6852	0.6969	-0.19%
CAD/USD	1.0535	1.0574	1.0262	1.0288	-2.18%
USD/JPY	88.83	90.59	88.14	90.28	1.47%
EUR/JPY	121.23	123.33	119.78	123	1.43%
AUD/JPY	79.66	82.31	79.19	81.94	2.88%
USD/CHF	1.0723	1.0889	1.0649	1.0742	0.07%
EUR/CHF	1.4631	1.4654	1.4624	1.4633	0.02%
DXY	80.42	81.29	79.82	80.43	0.09%

ASIAN CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG
USD/SGD	1.406	1.4074	1.3966	1.4017	-0.33%
USD/THB	33.05	33.05	32.58	32.68	-1.15%
USD/KRW	1159.95	1159.95	1140.3	1140.3	-1.69%
USD/CNY	6.8264	6.8306	6.8254	6.8264	0.01%
USD/MYR	3.4025	3.4025	3.3603	3.364	-1.14%
USD/IDR	9310	9319	9233	9235	-1.16%
USD/PHP	46.089	46.155	45.97	46.05	-0.17%
USD/TWD	32.06	32.067	31.909	31.918	-0.48%
USD/HKD	7.7626	7.7659	7.7617	7.7626	0.00%
USD/INR	45.9863	46.095	45.605	45.615	-1.02%

WEEK AHEAD

Date	Time (EDT)	Release	Period	Consensus	Previous
3/10/2010	3:30	ABC Consumer Confidence	8-Mar	-48	-49
3/10/2010	17:30	MBA Mortgage Applications	6-Mar	- -	14.60%
3/11/2010	0:30	Monthly Budget Statement	FEB	-\$202.0B	-\$42.6B
3/11/2010	19:00	Trade Balance	JAN	-\$41.0B	-\$40.2B
3/11/2010	19:00	Initial Jobless Claims	7-Mar	450K	469K
3/11/2010	19:00	Continuing Claims	28-Feb	- -	4500K
3/11/2010	19:00	Advance Retail Sales	FEB	-0.20%	0.50%
3/12/2010	20:25	U. of Michigan Confidence	MAR P	73.9	73.6



HIGHLIGHTS

The dollar fell against most major currencies on Friday after a better-than-expected U.S. employment report and the approval of Greek's new austerity measures boosted investors' risk appetite. The U.S. currency strengthened earlier this week amid worries over Greece debt crisis and political uncertainties in Britain. Safety-haven demand for the greenback fell after Greece announced new measures to cut its massive budget deficit on Wednesday. The measures lifted market expectations that the debt-hit country could solve its fiscal problems.

US Eco Data: In an encouraging sign for the U.S. jobs market, U.S. economy shed fewer jobs than expected in February and the **unemployment rate** was steady at 9.7% despite stormy weather on the East Coast last month which the government said may have temporarily hit payrolls and work hours. Nonfarm payrolls fell by 36,000 compared with a revised 26,000 drop in January. The number of workers filing **new claims for jobless benefits** declined last week by more than expected while continuing claims fell to their lowest level in more than a year. The decline comes after initial claims unexpectedly surged in the two prior weeks of the month, leaving some observers worried. The report showed that the initial claims for jobless benefits fell by 29,000 to 469,000 in the week ended Feb. 27. The previous week's level was revised upward to 498,000 from 496,000. Total claims lasting more than one week, meanwhile, fell to a level not seen since January 2009.

Economic activity in the **U.S. manufacturing sector** expanded at a slower rate in February but employment in the sector continued to improve. ISM said its index of manufacturing activity slipped a bit to 56.5 last month from 58.4 in January. But it still remained in expansionary territory. On contrary, the data showed US non-manufacturing activity expanded at a faster than expected pace in February. The ISM's non-manufacturing purchasing managers' index increased to 53.0 last month, from 50.5 in January. ISM said the February business activity/production index rose to 54.8 from 52.2. The new-orders index edged up to 55.0 from 54.7 in January.

Factory orders rose by 1.7% in January but the increase was weaker than anticipated and was lifted chiefly by demand for commercial aircraft. December figures were upwardly revised to 1.5%, from the previously reported 1.0% gain. Amongst the orders, orders for non-defense capital goods jumped 3.1% in the first month of the year, the category posted a 4.1% decline excluding aircraft, a worrisome downturn in a key barometer of business activity.

YEN PARES BACK GAINS AS BOJ SCARES SHORT SELLERS OVER POSSIBLE INTERVENTION:

Yen retreated this week from its three months low of 88.18 against dollar to 90.52 as reports that the Bank of Japan may take additional steps to ease monetary policy in its upcoming meeting on 16th March led investors to speculate Japanese interest rates might fall, reducing the attractiveness of yen-denominated assets. In continuation to it, the currency was also undermined by the prospects of potential intervention by BOJ who showed its willingness for the first time in 6 years to raise its borrowing ceiling of its foreign exchange special account, the war chest for yen-selling currency intervention, by Y5tn yen (\$56.5bln) to Y145tn. **Japan Eco Data: New vehicle sales** in Japan rose 35.1% from a year earlier to 294,887 units in February, posting the seventh straight month of year-on-year gains, backed by tax breaks for buying low emission automobiles but despite Toyota Motor Corp. taking a hit from the recall of its flagship Prius and other hybrid models. The increase followed a 36.8% rise in January. In August 2009, domestic new vehicle sales rose 2.3%, posting their first y/y rise in 13 months.

Japan's jobless rate and consumer spending both improved in January, which were partly due to government support measures, which included aid for firms to hire and incentives for consumers to buy fuel-efficient cars. Japan's jobless rate fell to a 10-month-low in January to 4.9% as hiring picked up, from 5.2% the month before, beating economists' forecast for a 5.1% figure. The January jobless figure was the lowest since 4.8% in March. The labor ministry said the jobs-to-applicants ratio improved by 0.03 to 0.46 in January, the first increase in four months. Meanwhile, all household spending rose 1.7% from a year ago, rising for the sixth straight month thanks to robust car sales, although missing economists' forecast for a 2.4% gain.

STERLING SETS A BRIEF RESPITE ABOVE \$1.5:

Early this week, pound skidded almost 3% against dollar at one point in a day to \$1.4784 -- its lowest level since April 2009 -- as uncertainty about looming national elections combined with persisting economic problems and merger and acquisition activity all spooked investors who were already nervous about the U.K.'s ragged fiscal situation. But over the course of the week it made a brief respite as sentiments reversed in favor of the currency after UK's Service PMI showed a surprise 3 year high figure combined with an unchanged decision of Bank of England over the interest rate and QE.

UK: The **U.K.'s dominant services sector** expanded sharply to more than a three-year high in February, boosted by strong new orders and business activity, adding to evidence that first-quarter gross domestic product grew at a faster pace than in the final three months of 2009. February's CIPS/Markit report showed UK's services Purchasing Managers Index rose to 58.4, the highest level since January 2007 and compared with 54.5 in January. The rise was stronger than expected and compares with economists' forecasts of a more modest pickup to 55.5.

U.K. house prices Halifax fell in February for the first time since June last year, as an increase in the number of properties for sale coupled with the bad weather and changes in land-tax thresholds combined to weigh on the market. The Halifax house price index showed prices fell 1.5% on the month and rose 4.5% compared with February 2009. The annual increase was the highest since January 2008. The February data compare with a 0.6% month-on-month gain in January and an annual gain of 3.6%.

EURO CONSOLIDATES WITH TWO WAY MOVEMENTS

Euro was able to rack up gains to two week high against dollar from its recent multi-months lows \$1.3430 after the Greece stepped-up efforts to cut its gaping budget deficit by announcing range of austerity measures. It aimed at lopping another E4.8 billion off its yawning budget deficit that currently exceeds 12% of GDP. However later in the week, it was knocked off its two week high from 1.3627 on waning confidence that the fiscally strapped government will be able to meet its tough deficit-reduction targets.

Euro zone Eco. Data: Economic growth in the 16 countries that use the euro slowed as expected in the fourth quarter, with the fragile recovery entirely dependent on exports. **Quarterly gross domestic product** growth slowed to 0.1% in the final three months of last year from 0.4% in the three months to the end of September. On a year-on-year basis, GDP was 2.1% weaker in the fourth quarter, also in line with the preliminary figures and economists' expectations. However, the year-on-year drop in GDP in the third quarter was revised to show a deeper decline of 4.1% from the previous reading of 4.0%.

Retail sales in the 16 countries that use the euro fell in January, indicating that the currency area's economy is unlikely to grow much more strongly at the start of 2010 than it did at the end of 2009. Retail sales volume in the euro zone fell by 0.3% from December and was 1.3% lower than in January 2009.

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