

DOMESTIC HIGHLIGHTS

INDICATORS	30-July-10	23-July-10
FOREX RATES		
US DOLLAR	46.41	46.95
EURO	60.55	60.57
POUND	72.81	72.35
100 JAPANESE YEN	0.54	53.63
FWD PREMIA %		
1 MONTH	5.50	4.91
3 MONTH	5.37	4.74
6 MONTH	4.85	4.16
12 MONTH	4.23	3.60
INDICATORS		
INFLATION %	10.55	10.55
FOREX RESERVE (\$bn)	282.94	281.90
OVERNIGHT RATES		
NSE O/N MIBOR	5.90	5.70
CALL RATE	6.00	5.60
CBLO RATE	4.33	5.49
REPO RATE	5.75	5.50
TERM MONEY RATE		
NSE 14 DAY MIBOR	5.71	5.82
NSE 1 M MIBOR	6.15	6.15
NSE 3 M MIBOR	6.53	6.49
SHORT TERM PAPER		
90-DAY COMM. PAPER	7.14	7.03
CUT OFF YIELD %		
91 DAY TBILL	5.70	5.74
182 DAY TBILL	5.90	5.95
364 DAY TBILL	6.20	5.69
WORLD MARKETS %		
SENSEX	17868.29	-0.69
DOW JONES	10465.94	-0.01
FTSE	5258.02	-1.05
SHANGHAI	2637.50	-0.40
HSI	21029.81	-0.30
NIKKEI	9537.30	-1.64

- ✓ **The Reserve Bank of India** hiked the repo rate (at which the central bank makes short-term loans to commercial banks) by 25 basis points to 5.75 percent. It raised the reverse repo rate (the rate at which it borrows from commercial banks) by an unexpected 50 basis points, to 4.5 percent. While bank rate left unchanged at 6%. The bank says economic growth for the year will be 8.5 percent, higher than its April forecast of 8.0 percent. It raised its inflation forecast for March 2011 from 5.5 percent to 6.0 percent.
- ✓ **India's infrastructure sector output** grew 3.4 percent in June from a year earlier, slower than the annual growth of 5 percent in May. The infrastructure sector accounts for 26.7 percent of India's industrial output.
- ✓ **India's consumer price index** (CPI) rose 13.73 percent in June from a year earlier, marginally slower than May's annual rise of 13.91 percent. The consumer price index for industrial workers increased 2 points to 174 in June.
- ✓ **The wholesale price index** for primary articles in India rose 0.4% to 308.8 in the week to July 17, from a provisional 307.5 in the previous week. Prices of primary articles increased 14.50% from a year earlier, after climbing 16.48% in the week to July 10. In the week to July 17, the food articles index increased by 0.6% from a week earlier to 299.3. The year-on-year inflation rate for food articles was 9.67%, down significantly from 12.47% in the week to July 10. The fuel products index fell to 386.3 in the week to July 17 from 386.7 in the previous week. The fuel index was 14.29% higher from a year earlier.

WATCH FOR NEXT WEEK'S KEY RELEASES

- **Aug 02: June Export** (YoY) Prior: 35.10%, **June Import** (YoY) Prior: 38.50%
- **Aug 04: T-Bills auction** worth 70 bln rupees of 91-day and 15 bln rupees of 182-day T-Bill.
- **Aug 05: WPI components (YOY):** Primary Articles (July 24) Prior 14.50%, Fuel Power Light (July 24) Prior 13.18%.
- **Aug 05: BoE Interest Rate Meeting:** Prior- 0.5%, **ECB Interest Rate Meeting:** Prior- 1.00%

FOREIGN EXCHANGE RESERVES

RESERVES	July 23, 2010	July 16, 2010	July 24, 2009
FOREIGN CURRENCY ASSETS	256714	255677	256657
GOLD	19894	19894	9800
SDRs	4987	4987	1
RESERVE TRANCHE POSITION	1343	1343	1253
TOTAL	282938	281901	267711

INR CROSS CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG%
EUR/INR	60.52	61.20	60.13	60.55	-0.03
GBP/INR	72.53	73.16	71.92	72.81	0.63
AUD/INR	42.14	42.38	41.66	42.02	-0.28
NZD/INR	34.19	34.52	33.49	33.73	-1.04
JPY/INR	0.5378	0.54	0.53	0.54	0.06
CHF/INR	44.60	44.96	43.87	44.61	0.02
CAD/INR	45.34	45.58	44.78	45.13	-0.61
USD/INR	46.91	47.06	46.39	46.41	1.14



TECHNICAL PERSPECTIVE

LAST TRADE AT NSE

CURR	OPEN	HIGH	LOW	CLOSE	CHG %
USDINR Spot	46.61	46.62	46.39	46.41	-0.28
USDINR (AUG)	46.78	46.80	46.61	46.64	-0.25

DAILY USDINR (Oct)



Technical View: The sharp setback off last week's peak at 47.92 extends into Friday's session, as the week's low at 46.61 is being challenged. Failure to keep this level intact would leave 47.92 as a significant peak, prompting further weakness towards the 46.30 area. Regaining ground above 47.05 and 47.27 would provide temporary respite, but corrective upside scope looks limited to 47.34.

CURR	EXPECTED RANGE	SUPPORT			PIVOT	RESISTANCE		
		S3	S2	S1	P	R1	R2	R3
USDINR (AUG)	46.30-47.02	45.76	46.41	46.84	47.06	47.49	47.71	45.76
EURINR (AUG)	60.15-60.83	59.82	60.44	60.83	61.05	61.44	61.66	59.82
GBPINR (AUG)	72.50-73.22	71.04	72.17	72.84	73.31	73.98	74.45	71.04
JPYINR (AUG)	53.45-54.20	52.06	53.20	53.67	54.35	54.82	55.49	52.06

Recap: Indian rupee rose to its highest level in a month against the dollar nearly up by 1.4 pct this week in a knee jerk reaction to the decision made by central banks to hike interest rates on July 27. to contain a surge in inflation that had led to strikes and street rallies. The decision came in to contain a surge in inflation that had led to strikes and street rallies and was above the expectation of which economists wouldn't even have thought about it. Reverse repo was lifted more in quantum by 50 bps to 4.50% while repo rate saw twin rise of 25bps in each tranche during the month to 5.75%, however the cash reserve ratio stood pat at 6.00%. Since past few months rupee had been undergoing extreme pressure in a process of readjusting its value with other major currencies especially against Euro & pound. But with the start of the week we had seen abrupt rise in rupee thanks to tightness in liquidity and reduction in dollar exposures by exporters ahead of month-end fixing. It rose heavily on Friday reaching to 46.51, the strongest level since July2 on optimism that the government's sale of shares in state-owned Engineers India Ltd. and initial public offering of SKS Micro finance will attract foreign investors, boosting capital inflows into the country. Global currencies traded mixed as euro flirted for long around \$1.30 levels but was often pulled back below it. Meanwhile recovery concerns over U.S gave risk aversion a boost taking a toll over the U.S. dollar lending its strongest boost to safe haven currencies like Yen and Swiss franc.

Fundamental View In the week ahead, we may see two-way movements in Indian rupee is as fresh worries over a slowing U.S. economy could give the euro and other currencies an additional near-term boost as concerns over the euro zone's sovereign-debt crisis ease further. But, still a cautious approach is advised to be maintained as any disappointment over PMI data this week would dent investors appetite.

GLOBAL HIGHLIGHTS
TENOR RATES

TENOR	MIFOR	USD LIBOR	EURO LIBOR	GBP LIBOR	JPY LIBOR
1 MONTH	5.95	0.31	0.59	0.57	0.16
3 MONTH	5.76	0.45	0.83	0.75	0.24
6 MONTH	5.43	0.67	1.11	1.03	0.44
12 MONTH	5.21	1.04	1.39	1.48	0.67

MAJOR CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG%
EUR/USD	1.2912	1.3107	1.2857	1.3052	1.11
GBP/USD	1.5407	1.5721	1.5400	1.5689	1.71
NZD/USD	0.7258	0.7397	0.7191	0.726	-0.18
CAD/USD	1.0372	1.0396	1.0256	1.0297	-0.59
USD/JPY	87.24	88.12	85.95	86.47	-1.13
EUR/JPY	112.62	114.74	112.03	112.84	-0.05
AUD/JPY	78.13	79.43	77.35	78.18	-0.19
USD/CHF	1.0543	1.0641	1.0362	1.0412	-1.24
EUR/CHF	1.3614	1.3819	1.3511	1.3588	-0.21
DXY	82.62	82.63	81.46	81.54	-1.12

ASIAN CURRENCIES

CURR	OPEN	HIGH	LOW	CLOSE	CHG%
USD/SGD	1.3703	1.3715	1.3591	1.3603	-0.73
USD/THB	32.42	32.43	32.16	32.24	0.03
USD/KRW	1196.60	1197.59	1181.33	1182.75	-1.37
USD/CNY	6.7784	6.7816	6.7716	6.7745	-0.08
USD/MYR	3.2030	3.2045	3.1760	3.1820	-0.56
USD/IDR	9046	9046	8943	8949	-1.01
USD/PHP	46.29	46.34	45.49	45.54	-1.66
USD/TWD	32.13	32.14	31.91	31.97	-0.42
USD/HKD	7.7690	7.7714	7.7650	7.7668	-0.02
USD/INR	46.90	47.06	46.39	46.41	-1.14

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WEEK AHEAD IN U.S.

Date	Day	Time	Release	Period	Consensus	Previous
02/08/2010	Monday	19:30	ISM Manufacturing	JUL	54.2	56.2
03/08/2010	Tuesday	18:00	Personal Income	JUN	0.20%	0.40%
03/08/2010	Tuesday	18:00	Personal Spending	JUN	0.10%	0.20%
03/08/2010	Tuesday	18:00	PCE Deflator (YoY)	JUN	1.30%	1.90%
03/08/2010	Tuesday	18:00	PCE Core (YoY)	JUN	1.30%	1.30%
03/08/2010	Tuesday	19:30	Factory Orders	JUN	0.00%	-1.40%
03/08/2010	Tuesday	19:30	Pending Home Sales YoY	JUN	- -	-15.60%
04/08/2010	Wednesday	17:45	ADP Employment Change	JUL	35K	13K
04/08/2010	Wednesday	19:30	ISM Non-Manf. Composite	JUL	53	53.8
05/08/2010	Thursday	18:00	Initial Jobless Claims	31-Jul	455K	457K
05/08/2010	Thursday	18:00	Continuing Claims	24-Jul	4536K	4565K
06/08/2010	Friday	18:00	Change in Nonfarm Payrolls	JUL	-60K	-125K
06/08/2010	Friday	18:00	Change in Private Payrolls	JUL	100K	83K
06/08/2010	Friday	18:00	Change in Manufact. Payrolls	JUL	18K	9K
06/08/2010	Friday	18:00	Unemployment Rate	JUL	9.60%	9.50%

HIGHLIGHTS**US Eco Data:**

- ✓ **US new home sales** increased 23.6% from the previous month to a seasonally adjusted annual rate of 330,000. The May sales fell 36.7% to a record 267,000, revised down from an originally reported 32.7% plunge to 300,000. Year over year, sales in June were down 16.7%.
- ✓ **US consumer confidence** fell to 50.4 in July, from a revised 54.3 in June. The present situation index, a gauge of consumers' assessment of current economic conditions, fell to 26.1 in July from a revised 26.8 in June. Consumer expectations for economic activity over the next six months plunged to 66.6, from a revised 72.7.
- ✓ **US durable goods order** fell last month by 1.0% to a seasonally adjusted \$190.5 billion. Orders for non-defense capital goods excluding aircraft increased 0.6%, after rising 4.6% in May. Overall durables in May fell 0.8%; previously durables for that month were seen down 0.6%. Outside of the transportation sector, orders for all other durables decreased 0.6% in June. The capital goods orders fell 2.3%.
- ✓ **US initial jobless claims** benefits declined by 11,000 to 457,000 in the week ended July 24. The previous week's level of claims was revised upward, from 464,000 to 468,000.
- ✓ **US continuing claims** -- those drawn by workers for more than one week in the week ended July 17 - increased by 81,000 to 4,565,000 from the preceding week's revised level of 4,484,000.
- ✓ **US gross domestic product** rose at an annualized seasonally adjusted rate of 2.4% in April to June. In the first quarter, the economy grew by 3.7%, revised up from an originally reported 2.7% increase. The consumer spending rose by a moderate annualized rate of 1.6% in April to June.
- ✓ **University of Michigan consumer** sentiment index's final reading for July ticked up to 67.8 from a preliminary reading of 66.5, but it is down from a final-June reading of 76.0. The final July current conditions index stood at 76.5 from a final June reading of 85.6, and the expectations index stood at 62.3 from 69.8.
- ✓ **US Chicago PMI** jumped to 62.3 in July from 59.1 in June and 59.7 in May. The new orders index was at 64.6 in July, up from 59.1 in June. Production rose to 65.0, from 64.2 in June. July's employment index was at 56.6, from 54.2 in June, and 49.2 in May.

UK Eco Data:

- ✓ **UK Hometrack housing price** fell 0.1% on the month in July and were 2.0% higher on the year, for the first time since May 2009 in July. That compared with June's 0.1% monthly gain and a 2.1% increase on the year.
- ✓ **UK CBI retail sales** balance jumped to +33 in July from -5 in June, while the July survey indicates that retailers expect the sales balance to surge to +45 in August, the highest such level since June 2004.
- ✓ **UK nationwide house price** fell a seasonally adjusted 0.5% from June and were 6.6% higher compared with July 2009. In June, Nationwide said house price were flat on the month and grew 8.7% on the year. The monthly change was revised down from a 0.1% rise.
- ✓ **UK GFK consumer confidence** declined for the fifth month in July as index slide to -22 in July from -19 in the previous month. The economic situation over the next 12 months slid to -25 from -12 in June, while economic situation index fell to -48 from -46. The consumers' personal financial situation declined to -6 in July from -2 in June.

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Euro zone Eco Data:

- ✓ **Euro zone economic sentiments** indicator rose to 101.3 in July from 99 in June. The manufacturing sentiment rose slightly to -4 from -6, while consumer confidence rose to minus 14 from minus 17 in June. The business confidence indicator increased to 0.66 in July from 0.40 in June.
- ✓ **Euro-zone unemployment rate** seasonally adjusted unemployment rate was stable again in June as expected at 10.0%, unchanged since March. Some 6,000 more people lost their jobs in June after a rise of 41,000 May and a dip of 8,000 in April.
- ✓ **German GFK consumer confidence index** surged to 3.9 points in August from an upwardly revised 3.6 points in July. Its subindexes- Economic expectations rose to 36.8 points, the highest figure since October 2007, from 5.5 points in June. The income expectations rose to 29.1 points from 8.2 points. The buying propensity fell to 27.9 points from 30.4 points last month.
- ✓ **Germany Import price index** rose 9.1% YoY in June, faster than a 8.5% growth in the previous month. It was the highest price increase since November 2000. On a monthly basis, import prices rose 0.9% in June, following a 0.6% rise in May.
- ✓ **German unemployment rate** in seasonally adjusted terms slipped to 7.6% in July from 7.7% in June and the number of people out of work declined by 20,000.

Asian Eco Data:

- ✓ **Australian consumer price index** rose 3.1% through the year to June quarter, compared with a rise of 2.9% through the year to March quarter. While on quarterly basis, price index rose 0.6% in the June compared with a rise of 0.9% in the March.
- ✓ **South Korea industrial output** rose a seasonally adjusted 1.4% from the preceding month. From a year earlier, production expanded 16.9%, compared with expectations for a 16.6% growth. In the preceding month, output was up a revised 2.7% on month and 21.7% on year.

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