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Overview

- Asian markets trade on a mixed note ahead of US economic data.
- Europe remains a threat to US economy – Federal Reserve.
- US unemployment claims down to 367,000 for the w/e 27th January.

Asian markets are trading on a mixed note today, as investors are cautious ahead of US employment data which will measure the strength of the recovery in the world's largest economy. Additionally, concerns with respect to Greek debt crisis also led to rise in risk aversion in the global markets.

Federal Reserve Chairman Ben Bernanke stated yesterday that he was seeing signs that some of the factors dampening US business investment, including uncertainty surrounding European bank woes. But he kept the option of further easing open. He also stated that that Europe's debt crisis still threatened the US recovery and the Fed would take steps if needed to accelerate the world's largest economy.

US unemployment claims declined by 12,000 to 367,000 for the week ending on 27th January compared to 379,000 in prior week. Challenger job cuts increased by 38.9 percent in January as against 30.6 percent in previous month. US Prelim nonfarm productivity increased 0.7 percent in Q4 from previous rise of 1.9 percent in Q3. Prelim unit labor costs increased by 1.2 percent in last quarter when compared to previous decline of 2.1 percent in previous quarter.

US Dollar Index

The US Dollar Index (DX) strengthened around 0.1 percent in yesterday's trading session on account of mixed sentiments in the global markets. Fall in the Euro also provided support for the dollar. However, sharp gains were capped due to favorable unemployment claims data from the country. The index touched an intra-day high of 79.32 and closed at 79.09 on Thursday.

Dollar/INR

The Indian Rupee (INR) appreciated slightly around 0.2 percent in On Thursday, taking cues from rise in domestic equities. Nifty and Sensex rose around 0.7 percent and around 0.8 percent respectively on yesterday. Additionally, rising capital inflows in the country also acted as a supportive factor for the currency. However, a stronger dollar resisted sharp appreciation in the INR. The currency touched an intra-day high of 48.94 and closed at the level of 49.02 on Thursday.

For the current month, FII inflows totaled at Rs 2737.70 crores till 2nd February 2012. While on a year to date basis, net capital inflows stood at Rs 13095.40 crores till 2nd February.

Outlook

We expect the Indian Rupee to come under pressure today, on the back of poor sentiments in the global markets which will lead downside in domestic equities too. Additionally, a stronger dollar will also act as a negative factor for the currency.

Market Highlights (% change)

as on Feb 2, 2012

	Last	Prev. day	WoW	MoM	YoY
NIFTY	5269.9	0.7	2.2	10.9	-3.0
SENSEX	17431.9	0.8	2.1	9.9	-3.6
DJIA	12705.4	-0.1	-0.2	2.3	5.5
S&P	1325.54	-0.03	0.54	5.40	1.66
FTSE	16276.5	0.1	1.0	10.2	-28.2
KOSPI	1984.3	1.3	1.4	6.5	-4.2
BOVESPA	64593.1	0.0	2.6	10.3	-3.1
NIKKEI	8876.8	0.8	-0.1	4.6	-15.1
Nymex Crude (Feb'12) -\$/bbl	96.36	-1.3	-3.4	-5.4	6.1
Comex Gold (Feb'12) -\$/oz	1756.80	0.6	1.8	8.5	31.9
Comex Silver(Mar'12) \$/oz	3415.10	1.1	1.3	16.7	20.7
LME Copper (3 month) -\$/tone	8330.00	-1.4	-2.9	10.5	-16.4
CRB Index (Industrial)	551.96	0.0	-1.4	6.0	-31.3

Source: Reuters

US Dollar (% change)

as on Feb 2, 2012

	Last	Prev. day	WoW	MoM	YoY
Dollar Index	79.09	0.1	-0.5	-2.7	2.3
US \$ / INR (Spot)	49.02	0.2	0.8	7.3	-7.1
US \$ / INR Feb'12 Futures (NSE)	49.41	-0.33	-2.29	-8.30	7.85
US \$ / INR Feb'12 Futures (MCX-SX)	49.41	-0.34	-2.28	-8.27	7.86

Source: Reuters

Technical Chart – USD/INR

Indian(INR)2012/02/02 - Daily B:49.1500 A:49.1600
H:49.0100 L:48.2550 C:48.9450 O:49.1500 -0.12 -0.24%



Source: Telequote

Technical Outlook

valid for Feb 3, 2012

	Trend	Support	Resistance
US Dollar/INR Feb'12 (NSE/MCX-SX)	Sideways	49.23/49.0	49.57/49.75

Euro/INR

The Euro depreciation around 0.1 percent on Thursday, taking cues from ongoing concerns with respect to Euro Zone debt worries. Additionally, a stronger dollar also exerted downside pressure on the currency. However, rise in European markets cushioned sharp fall in the Euro yesterday. The currency touched an intra-day low of 1.3083 and closed at 1.3144 on Thursday.

European Producer Price Index (PPI) declined by 0.2 percent in December from previous rise of 0.2 percent a month ago.

Outlook

We expect the Euro to decline today mainly on account of rising tensions over Euro Zone debt worries coupled with a stronger dollar.

Technical Outlook

valid for Feb 3, 2012

	Trend	Support	Resistance
Euro/INR Feb'12 (NSE/MCX-SX)	Sideways	64.70/64.45	65.20/65.40

GBP/INR

The Pound depreciated by 0.1 percent yesterday taking cues from an unfavorable economic data from the country. Additionally, a stronger dollar also acted as a negative factor for the currency. The GBP touched an intra-day low of 1.5792 and closed at 1.5806 on Thursday.

UK's Construction Purchasing Managers' Index (PMI) decreased to 51.4 in January from previous 53.2 in December.

Outlook

The Pound is expected to trade lower today mainly taking cues from dollar strength along with rise in risk aversion in the markets.

Technical Outlook

valid for Feb 3, 2012

	Trend	Support	Resistance
GBP/INR Feb'12 (NSE/MCX-SX)	Sideways	77.90/77.70	78.40/78.65

Euro (% change)

as on Feb 2, 2012

	Last	Prev. day	WoW	MoM	YoY
Euro / \$ (Spot)	1.3144	-0.1	0.4	2.8	-4.8
Euro / INR (Spot)	64.44	0.3	0.5	4.6	-2.4
Euro / INR Feb'12 Futures (NSE)	64.90	-0.26	-0.95	-6.90	2.53
Euro / INR Feb'12 Futures (MCX-SX)	64.9	-0.26	-0.97	-6.87	2.49

Source: Reuters

Technical Chart – Euro/INR



Source: Teleglobe

GBP (% change)

as on Feb 2, 2012

	Last	Prev. day	WoW	MoM	YoY
\$ / GBP (Spot)	1.5806	-0.1	0.8	2.1	-2.3
GBP / INR (Spot)	77.47	0.4	0.1	5.4	-5.1
GBP / INR Feb'12 Futures (NSE)	78.17	0.09	-0.67	-6.23	5.33
GBP / INR Feb'12 Futures (MCX-SX)	78.17	0.07	-0.68	-6.25	5.36

Source: Reuters

JPY/INR

The Japanese Yen traded on a flat note in yesterday's trading session and closed at 76.22 after touching an intra-day high of 76.02 on Thursday.

Outlook

We expect the Yen to trade with an appreciation bias mainly on account of rise in risk aversion in the global markets which will boost demand for the low-yielding currency.

Technical Outlook

valid for Feb 3, 2012

	Trend	Support	Resistance
JPY/INR Feb'12 (NSE/MCX-SX)	Sideways	64.60/64.40	65.10/65.30

JPY (% change)

as on Feb 2, 2012

	Last	Prev day	WoW	MoM	YoY
JPY / \$ (Spot)	76.22	0.0	-1.6	-1.2	-6.5
JPY / INR (Spot)	0.643	0.2	-0.8	6.0	-15.1
JPY 100 / INR Feb'12 Futures (NSE)	64.90	-0.37	0.55	-7.09	15.66
JPY 100 / INR Feb'12 Futures (MCX-SX)	64.88	-0.39	0.47	-7.02	15.52

Source: Reuters

Technical Chart – JPY/INR



Source: Telequote

Economic Indicators to be released on February 3, 2012

Indicator	Country	Time (IST)	Actual	Forecast	Previous	Impact
Halifax HPI m/m	UK	3 rd – 8 th	-	0.1%	-0.9%	High
Services PMI	UK	3:00pm	-	53.6	54.0	High
Retail Sales m/m	Euro	3:30pm	-	0.4%	-0.8%	Medium
Non-Farm Employment Change	US	7:00pm	-	156K	200K	High
Unemployment Rate	US	7:00pm	-	8.5%	8.5%	High
Average Hourly Earnings m/m	US	7:00pm	-	0.2%	0.2%	Medium
ISM Non-Manufacturing PMI	US	8:30pm	-	53.2	52.6	High
Factory Orders m/m	US	8:30pm	-	1.5%	1.8%	Medium