

Date: 27th July, 2016

Dear Readers,

Indian rupee opened at 67.33 after closing the previous session at 67.27 levels. The intra-day range is seen between 67.20-67.50 levels.

Australian dollar lower after CPI

The Australian dollar fell against its US counterpart after inflation in Q2 rose compared to contraction of 0.2% in the previous quarter. A better-than-expected inflation has raised concerns that the RBA at its August may think twice before considering to cut rates. But our view is that one month's number may not be enough and the RBA could consider cutting rates in its August meeting. Until then the Australian dollar is expected to trade with high volatility but with a slight negative bias.

USDJPY trims gains after MOF denies report of 50 year debt issuance

USDJPY is experiencing high volatility. First the pair surge towards 106.54 after news hit the wires that PM Abe will announce stimulus detail today and the package size would be 27 trillion yen. Later, Japan's finance ministry denied a report that it was mulling the launch of 50-year government bonds which has pulled back the pair on downside.

U.S. consumer confidence steady; new home sales near eight-and-a-half-year high

U.S. consumer confidence held steady in July and new single-family home sales hit their highest level in nearly 8-1/2 years in June, suggesting sustained momentum in the economy that could allow the Federal Reserve to raise interest rates this year. The Conference Board said its consumer index was 97.3 this month after a reading of 97.4 in June. Economists had expected the index to drop to 95.9 in July.

Bonds

Indian government bonds trading nearly unchanged ahead of Fed's monetary policy decision later today. Benchmark bond now at INR 102.27, yielding 7.25% against INR 102.28 previous close. RBI to auction INR 150 billion of T-bills today. Indian benchmark yield pegged in 7.23%-7.27% band today.

Outlook

Intraday Trend: The USD/INR pair is likely to quote in the range of 67.20-67.50 levels.

Exporters were advised yesterday to cover their short term bookings in a range of 67.40-67.50. (They are suggested to discuss their positions with their respective advisors).

Importers are advised to cover their short term booking in a range of 67.10 to 67.15 levels. (They are suggested to discuss their positions with their respective advisors).

Short term range (7-15 days): 66.75-67.80

Medium term range (3-6 months): 65.80 – 70.00

Intraday view on Major Pairs

EURUSD-

European Central Bank purchases of government bonds are set to significantly outstrip new debt sales until the end of the year, helping pin yields near record lows in a trend strategists say will persist for months. Technically, the pair is expected to hold support of 1.0950 and potential for rebound upto 1.1030-1.1080 levels.

INTRADAY RANGE			SHORT TERM (Upto 3 months)			MEDIUM TERM (3-6 months)		
Support	Resistance	Trend	Support	Resistance	Trend	Support	Resistance	Trend
1.0950	1.1030	Slightly Bullish	1.0800	1.1300	Bearish	1.0800	1.1450	Bearish

GBPUSD-

Sterling hit a two-week low on Tuesday after a Bank of England policymaker said a batch of weak UK data would be "very material" for the bank's next policy meeting, having last week said he needed more evidence of economic weakness before backing an interest rate cut. Today, market participants are likely to keep an eye on UK Prelim GDP which is expected to come at 0.5% against previous 0.4%. Technically, the pair is likely to quote in the range of 1.3050-1.3250 band.

INTRADAY RANGE			SHORT TERM (Upto 3 months)			MEDIUM TERM (3-6 months)		
Support	Resistance	Trend	Support	Resistance	Trend	Support	Resistance	Trend
1.3050	1.3250	Slightly Bullish	1.2630	1.3900	Bearish	1.2800	1.4400	Bearish

USDJPY-

Today, USDJPY rallied till 106.50 after news hit the wires that PM abe will announce stimulus detail today and the package size would be 27 trillion yen. However, the major quickly faded the spike after the Japanese Finance minister came out on the wires and denied reports that it was considering issuing 50 year bonds as a part of the stimulus.

INTRADAY RANGE			SHORT TERM (Upto 3 months)			MEDIUM TERM (3-6 months)		
Support	Resistance	Trend	Support	Resistance	Trend	Support	Resistance	Trend
104.50	107.50	Bullish	99.00	109	Bullish	96.60	109.30	Bullish

AUDUSD-

Today, AUDUSD plunge from the day high of 0.7565 and fell sharply after Australia inflation rate drop to 1% in Q2. It was the lowest inflation rate since the second quarter 1999. Technically, the trend is down in AUDUSD. 0.7570 could act as an immediate resistance and it could move lower towards 0.7400 levels.

INTRADAY RANGE			SHORT TERM (Upto 3 months)			MEDIUM TERM (3-6 months)		
Support	Resistance	Trend	Support	Resistance	Trend	Support	Resistance	Trend
0.7400	0.7570	Bearish	0.7280	0.7800	Bullish	0.7150	0.7720	Bearish

USDCAD-

USDCAD extended the upmove and hits 15- week high amid oil prices continue to weaken. Market participant will keep an eye on Oil prices movement and Fed monetary policy to gauge a view on USDCAD over near term. Technically, as long as 1.3100 holds on downside bias is positive and it could move higher towards 1.3300 levels

INTRADAY RANGE			SHORT TERM (Upto 3 months)			MEDIUM TERM (3-6 months)		
Support	Resistance	Trend	Support	Resistance	Trend	Support	Resistance	Trend
1.3100	1.3300	Bullish	1.2650	1.3400	Bullish	1.2450	1.3320	Bullish

Gold-

For the ninth consecutive session Gold traded within a narrow range of \$1,300 and 1,340 ahead of the Fed policy decision. But volatility could increase in the yellow metal post the policy decision as the Fed chair could provide cues regarding further rate hike. For the day, the yellow metal could continue to trade in the range of \$1,300 and \$1,340.

INTRADAY RANGE			SHORT TERM (Upto 3 months)			MEDIUM TERM (3-6 months)		
Support	Resistance	Trend	Support	Resistance	Trend	Support	Resistance	Trend
1300	1340	Bearish	1275	1420	Bullish	1120	1450	Bullish

Crude:

Yesterday, crude hit the lowest level in three-months after API data showed slower drawdown in crude inventory compared to expectation. Today EIA inventory number will be keenly eyed and will be important to determine a trend for crude. For the day, crude is expected to take support around \$41.50 level and on the higher side crude will face resistance around \$43.80 levels.

INTRADAY RANGE			SHORT TERM (Upto 3 months)			MEDIUM TERM (3-6 months)		
Support	Resistance	Trend	Support	Resistance	Trend	Support	Resistance	Trend
41.50	43.80	Slightly Bearish	42.00	51.65	Bullish	35.00	56.00	Bullish

Dollar Index:

The dollar against its major crosses fell for the second successive session and ahead of the Fed policy decision market participants would avoid to take any aggressive position as volatility could increase post the decision. For the day, crude inventory, Fed policy decision and durable good order data will be keenly watched.

INTRADAY RANGE			SHORT TERM (Upto 3 months)			MEDIUM TERM (3-6 months)		
Support	Resistance	Trend	Support	Resistance	Trend	Support	Resistance	Trend
96.50	97.60	Bullish	93.00	99.00	Bullish	92.50	101.00	Bearish

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