RupeeTrends

HEDGFX

7/12/11

For Private Circulation Only

HEDGFX MODEL TRENDS						Economic Indicators	
	Quote	Current Trend	Expected Trend	Key Levels		2011-12 Q2 GDP Revised To	6.9%
USDINR	51.71	↔	↑	52.70	48.68	Interest Rates Repo Rate Bank Rate	8.5% 6.0%
EURINR	69.08	↑	↔			Inflation	

"Risk is like fire: If controlled it will help you; if uncontrolled it will rise up and destroy you."

– Theodore Roosevelt

Indian Rupee was trading volatile on Wednesday due to oil importers demand and positive share markets. It was trading in the range of Rs. 51.22-51.72. It is expected to be impulsive till Friday due to European summit to resolve regional debt crises. Indian markets were closed Tuesday to holiday.

Indian economy expanded at its slowest pace in two years at 6.9% during the second quarter of fiscal 2011-12, compared with growth of 7.7% in Q1 of 2011-12 and 8.4% growth in Q2 of 2010-11. There was a significant downward revision in GDP growth rate of second quarter of 2010-11 from the earlier 8.9% to 8.4%. Widening fiscal & trade deficit, weak equity markets, slow GDP growth, peak interest rate cycle and consistent high inflation could contribute towards further weakness in Rupee. The out flows from equity markets and low inflows have not helped the situation. Any further flight of capital is likely to hurt more as the forward cover could trigger be sharp rallies.

RBI is unlikely to intervene to stem the slide given the secular global trend of dollar strengthening. RBI is unlikely to tread where the global central banks including Bank of Japan and Swiss National Bank have failed. However, they are likely to act passively to stem the dollar outflows.

Hedging Strategy:

Given the macro scenario our hedging strategy remains same. We can take the next call only once the European summits are over. With the uncertainty on the fate of Euro, and potential massive safe-have bid dollar rally, we advise importers to bet on the side of caution.

RUPEE TRENDS

HEDGFX

The dollar repatriations due to European crises and weak Indian macro economic fundamentals are likely to drive the Rupee depreciation in immediate and medium term.

Given the possibility of INR depreciating to the levels of 53.50, Indian Exporters can look to sell 20% of their January 2012 and February 2012 exposures at current levels. They can sell further percentages at 53.50 and 54.00s.

Importers have had a tough time over past four months. Unfortunately, we may not have seen the last of the volatile moves that have defined past few months. The risk of the Rupee depreiciation is more than appreciation. It makes sense for Importers to manage the uncertainty with good amount of hedge. Importers can buy 50% to 70% of their immediate month-end exposure. Any dips towards 50s or even 48 should be used to cover and hedge over longer term.

Please note Rupee is likely to be very choppy given the year-end purchases and repatriations. The red herring clearly is the European crisis, any worsening of which would lead to more flight of capital.

hedgefx@gmail.com

HEDGFX

HEDGFX TRADING CALLS									
Market	Security	Date	Strategy	TTF	Initiate	T1	T2	SL	Result
COM	Crude Oil	28/11/11	Short	-	$100	$95	$93	$102.50	Initiated
FX	EURUSD	29/11/11	Short	4H	<1.3140	1.3000s	1.2860	1.3240	
FX	USDJPY	30/11/11	Buy	8H	77.95	80.00	81.50	76.85	Initiated

HEDGFX Forex Concepts

A unit of Agastheeshwaran Securities and Trading Pvt Ltd

No 212, Palace Orchard, Bellary Road, Sadashivnagar, Bangalore, India.

Mail: Hedgfx@gmail.com Phone: +91 87490 94542

Disclaimer

Trading and Transactions in Financial markets - equities, forex , commodities and other markets are risky, and has potential for substantial losses. All the suggestions and information shared by HedgeFx and or Agastheeshwaran Securities and Trading Pvt Ltd (ASTRA) through its reports, websites, orally or through any other communications, are shared in good faith and to best of our knowledge and expertise. HEDGFX, ASTRA or any of its officials are not responsible and cannot be held responsible for any losses or risks arising from following these suggestions and reports. Under all and every circumstances, the maximum liability of HEDGFX is absolutely limited to the subscription or service fees paid by the customer. Please refer the website or contact us for detailed disclaimer. Users and Customers by using these reports, information and other communications agree and accept this disclaimer.