

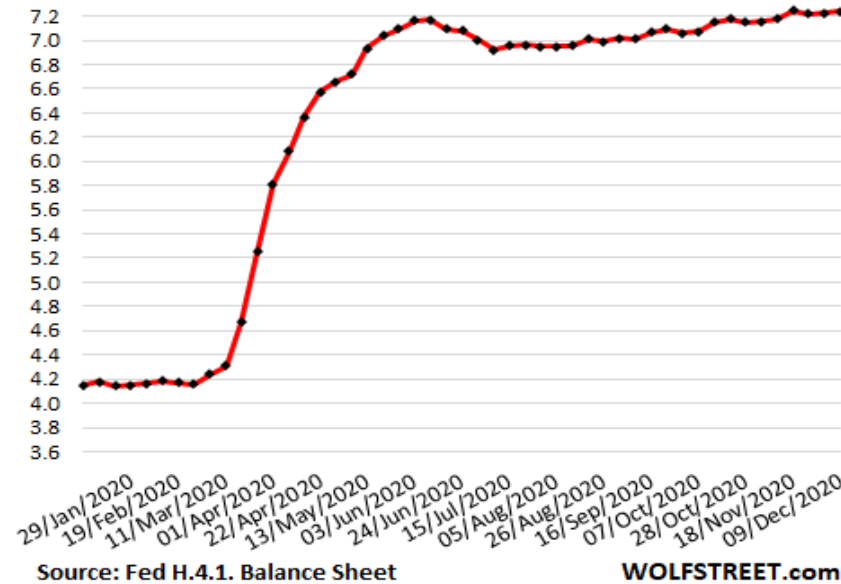


## ***FX INSIGHT- Fed play tonight***

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# Possibility of no twist

**Total Assets on the Fed's Balance Sheet**  
 Trillion \$, week ending Wednesday



- **A section of the market is clamoring for US Fed to at least announce *operation twist*.**
- **With yield curve not as steep as it was during Sept'11, when the twist was announced last, and with financial markets are in deep risk on mode, I see little need for Fed to move tonight.**
- **Fed has committed to buying \$80 billion in TSY and \$40 billion in MBS every month. Though they have been buying at a reduced rate off late but they have the flexibility to increase the pace and also mop up long term bonds, if they find term premium uncomfortably high.**

# EURO



1. All eyes on US central bank meeting tonight. Market expects Fed to concentrate its purchase of US treasury bonds at the long end to bring down long term cost of capital. If Fed announces such a move, less likely, then it can be positive for EURUSD and hence EURINR.
2. For positional trade, EUR/INR remains a buy on decline with stop below 88.40 on a daily closing basis. Target 90.20 and then near 90.80 on Dec futures.

# GBP



1. Talks are ongoing. Yesterday British media was abuzz with rumour of an imminent deal. That has helped GBPUSD move up.
2. **Volatility to remain high.**
3. **GBPINR Dec futures have repeatedly bounced from the 97.60/98.00 region. Hence, one can buy near that level with stop below 97.60. Target 99.40/50 and thereafter near 100.00**

# JPY



1. USDJPY is a sell on rise with stop above 105.10. Target 102.30/35.
2. JPYINR is a buy on decline with stop below 70.40 on first month futures. Target 71.80/72.00 resistance zone.

# USD/INR



- One needs to be careful using technical analysis while trading USDINR. Unlike its peers where central bank intervention is negligible, in USDINR, RBI can materially impact the structure of chart and TA signals. Therefore, one needs to have a clear understanding of RBI's presence and then filter the TA signals based on that. With that in mind one can process the message in the above chart.***

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