

**USD/INR: Rupee under Pressure as Covid Fears Hit Sentiment**

The Indian rupee closed under pressure on Friday as the surge in COVID-19 cases across Asia, concerns about side effects of the AstraZeneca vaccine and Chinese inflation data drove investors towards the safe-haven greenback. Moreover, concerns about India's economic recovery due to the surge in COVID-19 cases may keep the Indian currency under pressure. Banks are expected to purchase the dollar in order to take advantage of an arbitrage opportunity between onshore rate and offshore non-deliverable forwards rate, which may further weigh on the rupee. However, the Reserve Bank of India is expected to step in to sell the greenback out of its mammoth foreign exchange reserves of \$577 bln as of Mar 31, to limit steep losses in the rupee. Data released in China earlier today showed producer prices rose 4.4% in March from a year ago, marking the highest level since July 2018 as commodity prices surged which proves to be a worry for policymakers seeking stable inflation. Given the country is a major exporting nation, a rise in prices may stoke global inflation further and stir risk aversion in the global financial markets. Inflationary pressures have already kept market players jittery amid a stronger recovery in the world economy, and massive fiscal stimulus in the US. Prices of gold ended sharply higher on Thursday after the minutes of the US Federal Reserve's meeting showed that the central bank said it was committed to ultra-low interest rates policy.



**Technical Outlook:**

- USD-INR (APR) future prices stuck within supply area of 75.50-75.00 after the strong buying in previous sessions on the weekly chart.
- If prices manage to close above 75.50 then the upside rally could test 76.50-77.80 levels in the upcoming sessions.
- Alternatively, if the resistance holds strong then we can see profit booking up to 74.50 - 74.00 levels on the upcoming sessions.
- **USD-INR has its major support at 74.50 and resistance at 75.50.**

**Weekly Pivot Table**

Currency	S2	S1	Pivot	R1	R2
USD/INR	74.42	74.60	74.85	75.10	75.40
EUR/INR	88.55	88.75	89.10	89.30	89.50
GBP/INR	102.20	102.40	102.70	102.90	103.20
JPY /INR	67.80	68.05	68.40	68.60	69.00