

USD/INR: Rupee Falls To 18-Month Low:

The USD/INR (Dec) Future prices continued the upside rally and the pair settled nearly 0.17% up on Friday at 75.83. The pair is set to gain 0.72% across the week.

The Rupee trades under pressure at an 18 month low on central bank divergence. The Federal Reserve is keen to tighten monetary policy while the Reserve Bank of India is not showing any signs of rising interest rates soon. Interestingly the RBI is not stepping up intervention to stem the Rupee’s fall either.

Looking ahead attention will be on Indian industrial production data which is due later on Monday. Industrial output is expected to rise to 4% year on year in October up from 3.1% in September.

The US Dollar fell on Friday after the release of US inflation data, as measured by the consumer price index. The CPI rose to 6.8% in November, the largest one year-increase since 1982, up from 6.2% in October. This could prompt expectations that the Fed will move sooner to raise interest rates. In the upcoming FED meeting which is scheduled next week it is expected to accelerate the pace at which it tapers its bond purchases.

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Technical Outlook:

- USD-INR (DEC) has formed a “Rising channel” pattern on the weekly chart.
- The market is expected to continue its bullish momentum based on the current price action. Once the price breaks and sustains above the resistance level of 76.00, the upside rally could test the level of 76.60-77.20 in the upcoming sessions.
- On the contrary, if the resistance holds strong then the market might turn bearish once again and the downside rally could test 75.30 – 74.80 levels in the upcoming sessions.
- **USD-INR has its major support at 75.30 and resistance at 76.20.**

Weekly Pivot Table

Currency	S2	S1	Pivot	R1	R2
USD/INR	75.03	75.42	75.70	76.09	76.37
EUR/INR	83.72	84.60	85.84	86.72	87.96
GBP/INR	99.38	99.75	100.12	100.49	100.86
JPY /INR	66.13	66.39	66.63	66.89	67.13