

CURRENCY PICK – USD-INR

CMP: 60.27 (as on 06th May, 2014)

Buy at 59.90-59.70

Target: 61.20/62.20.

Stop loss: 58.70

The Indian rupee stayed flat the whole of April to finally settle the month at 60.55. It retreated from an eight-month high 59.95, after data showed the trade deficit widened to a five-month high in March. Meanwhile, the dollar index continue to trade lower though steadily against most major currencies after weak manufacturing numbers from China had the investors running to the yen, while escalating tensions in Ukraine softened the greenback as well. Investors were paying close attention to events unfolding in Ukraine, after conflict between the government and pro-Russian separatists grew more widespread and intensified, which weakened the dollar on concerns that Washington will get dragged deeper into the chaos and stifle recovery. Towards the end of the month, the Reserve Bank of India signaled that it will not let the rupee appreciate beyond 60 to the dollar as it shifts to consumer prices as a basis for calculating the real effective exchange rate or REER.

For now, investors should maintain caution as the country inches closer to the final phase of elections, with the latest opinion polls showing that the opposition Bharatiya Janata Party and its allies are set to win a narrow majority in the 543-seat lower house of parliament.



Whatever will be the election result but the major currency pair on the Indian platform is still in the bullish phase. We can clearly identify it on a monthly chart. Prices have corrected till the lower trend line of the trend channel pattern. Crucial support is seen at Rs 59.70-59.50, (as it is lower trend line support and also 61.8% retracement of the recent rally) if it sustained trade below, along with the sufficient volumes, then it may



come down till Rs 58.80-58.20. However, for the monthly perspective it is still in the state of indecision as a long shadowed candle stick has been formed.

As per the Elliot wave theory, 4th corrective wave with a-b-c legs have been formed and USD-INR prices are now expected to come up for the 5th wave formation.

For the month of May 2014 we recommend high risk traders to go long in USD-INR May Futures at Rs 59.90-59.70 levels with strict stop loss below Rs 58.70 for the targets of Rs 61.20/62.20.

Key data/Event:

India - 12th May : Industrial Production for Mar

- 15th May: WPI Inflation for Apr
- 16th May: General election results
- 30th May: GDP

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