



Thursday, Dec 05th, 2013

In the month of November 2013, a high volatility was seen in the USD-INR, where future rate closed at 62.90, up 1.76% while spot closed at 62.43. The bullish tone reinforced after the FOMC minutes of October 29-30 policy meeting which reflected the possibility that the Fed could take action to begin tapering stimulus in the coming meetings. While the pullback was seen after Iran agreed to curtail its nuclear activities and in exchange for which there was easing of certain sanctions on Iran in oil export, auto parts, gold and precious metals for six months.



Monthly Chart Technical View:

USD-INR saw a trading range between the median and upper range of Raff Regression channel line during the month. After hitting a peak of 64.19 it dropped towards 61.96. As predicated in the last month report USD-INR hit upside level 62.80-63.80. A corrective wave count is yet to retrace at 61.8% of previous wave with a support of 60.80-60.50. We could expect trading range between Upper and Median line of channel until and unless pair will find breakdown below 60.80 or break out above 65.50 on the closing basis. Based on November economic events and data a volatile outlook is expected for the pair. **A possible pullback from every high till 64.20 could be seen if Fed is not to meet its monthly QE3 Tapering Programme.**

Trading Strategy: Buy USD-INR on dip till 61.45 with a target of 62.92-63.15-64 and stop loss of 60.80 while selling in the pair will initiate only below 60.50 levels with a Target 59.80, then 59.10.



Daily Chart



Technical View Daily Chart:

On the above daily chart, the USD-INR drifted lower towards 61.05, in the month of Oct -2013. According to the wave theory, a corrective wave count which started from the peak of 69.135 (Sep 2013) to 61.05 (Oct 2013 low) is considered as an abc correction, as pair bounced back from the 61.05.

The rises from 51.55 (Oct 2012) to 69.80 (August 2013) has been considered as wave 5th of impulsive wave structure. The correction from 69.1350 to 61.05 (Oct 2013) is considered as an abc correction structure. Now a probability for the new cycle from the Oct 2013 could expect in the coming month as in Oct 2012 USD-INR completed the c wave of corrective abc structure at 51.55 as drawn on the above chart.

The Fibonacci retracement 38.2% (64.15) will be very strong resistance level for any large and higher side move in midterm which may force the pair towards 65.10-66.01.



Key International Events:

- 01st Dec: Manufacturing PMI of China.
- 02nd Dec: FOMC Fed Chairman Nomination Vote.
- 05th Dec: U.S. Prelim GDP.
- 09th Dec: China CPI.
- 18th Dec: FOMC Press Conference & Statement.

Key Domestic Events:

- 12th Dec: India Index of Industrial Production for Oct. (Sep month stands positive at 2%)
- 16th Dec: WPI inflation for Nov. (Oct month stands at 7%)
- 18th Dec: RBI Mid-Quarter Review of Monetary Policy 2013-2014. (Repo rate 7.75%, Reverse Repo rate 6.75%)

Recent News Roundup:

Positive for USD-INR:

- RBI closed the special swap window opened for OMCs on August 28; it added that dollars could be provided to OMCs directly on “rare days” when there is a spurt in dollar demand.

Negative for USD-INR:

- India's current account gap narrowed sharply to \$5.2 billion from \$21 Billion or 1.2% from 5% of GDP, in the July-September quarter of 2013-14 on the back of turnaround in exports and decline in gold imports.

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