



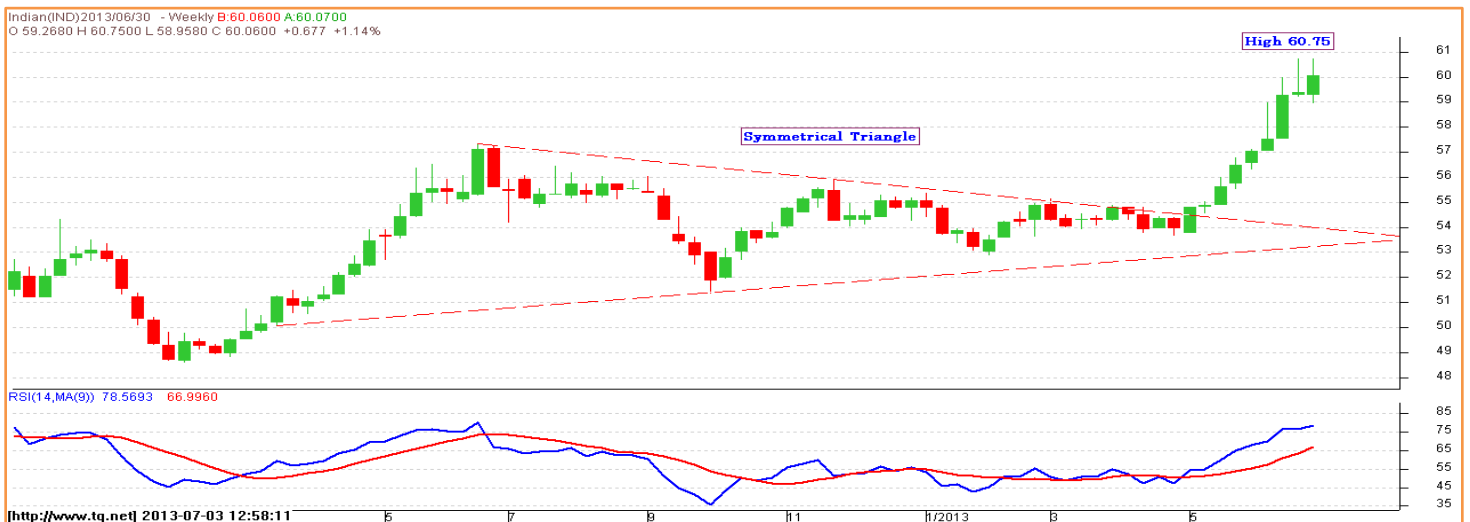
Saturday, July 6<sup>th</sup> 2013

**USDINR Quarterly Chart**



**Current Technical Overview (July 3, 2013)** –Last month, USD-INR attempted an extreme bullish rally, towards 61.15, as per the forecast in our June 2013 Value plus Addition. According to the **Pennant pattern**, the previous trend is strong and nobody is turning in to the profit taking, indicating that bullish rally to continue but after minor consolidation. Fibonacci retracement drawn from the high of 57.52 to low of 50.76 (April quarter candle) is suggesting for the upward Moves till 168% or 62.10 and above levels.

**Weekly Chart**





Meanwhile, Based on the **Contracting Symmetrical Triangle** on the Weekly chart, Spot USDINR hit 60.75, (Given the breakout at 54.80, and height of the triangle from high point (57.32) to low point (50.50) is 6.82), which bounded resistance at 61.62. The triangle chart pattern is a non-trending chart pattern. It tends to indicate impending volatility. A breakout at 60.75, May gives a strong bias to the upside towards 61.62 and above levels.

The short-term range is 58.70 to 61.25 with 59.10 are important levels to watch for in short term. Sustained trading above it will open for movement towards 61.25 levels and above in week's to come. If however, it manages to breach 59.10 levels then probability to move below 58.20 will increase. The longer-term range is 57.70-63.20.

The main trend is bullish on the Quarter and Weekly chart. A trade above the swing of previous high at 61.25 will turn the main trend to up to the new high 62.50 and above.

The mid-to-long term trend is bullish. A trade above the swing of previous high at 61.25 will turn the main trend to up to the new high of 62.54 and above.

➤ **Important events later in the Month –**

- The India economic data and events are likely to start from 12th July with the release of Index of Industrial Production for May. In the previous month it stands at 2.30% lower from the 2.50%. WPI Inflation on 14th July will determine the trend for the dollar as well as may give hint for a coming RBI policy. In the last month it was 4.7%, below 4.89% of previous month. First Quarter Review of Monetary Policy for 2013-14 is due. While on 31st July, Fiscal deficit which in the Apr-Jun it was at 33.3% of the budget estimate, likely to add some volatility for the USDINR.
- On global front, there have been signs of a recovery in the Euro Zone. Recently the area continues to remain weak, putting the European Central Bank in a position to provide additional stimulus if necessary. Talk of additional stimulus tends to weaken Euro, which may cause bullish trend in to dollar.
- The Bank of Japan refused to increase the stimulus amount and the U.S. Fed hinted at a withdrawal of stimulus (QE) to an end if economic conditions warrant such a move. Further it is expected that the Fed would act as soon as September to start withdrawing from QE. This will further lead to strong rally in the dollar versus other major currencies including rupee.
- The risk of withdrawal of global liquidity led to FII outflows from Indian equity as well as debt markets.
- Rising concern on cash crunch in China the world second largest economy is putting pressure on the domestic currency. The India-China trade deficit increased by 34 per cent to reach \$12 billion in the first five months of the year, presenting a bleak picture for Indian exports as bilateral trade continued to decline, further pressure in rupee.

**Conclusion and Recommendation -**

All above the factors is providing bullish sentiment in to the dollar in the coming months. We could see a potential buying with a rally from 59.00 to 62.25 or even above up-to 63 levels. We recommend going long in the dollar on every dips around 59 levels targeting 61.25-62.54 with stop loss of 58.37.

On the other hand, bearish sentiment could arise only below 58.20 towards Target 57 or below 56.60.



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