

What a difference a few weeks make. In early June, economists were predicting the demise of the euro after a 110 billion euro (\$145.2 billion) bailout for Greece and a \$1 trillion financial safety net for the rest of the 16-nation single currency area failed to calm market panic. European banks were hardly lending to each other, the euro had hit a four-year low against the dollar, and there was widespread talk that Greece would have to default on its debt. Just two months later, the euro zone's crisis has relaxed and there are signs of a return of investor confidence. The euro has gained 10 percent against the dollar; economic recovery in the euro area is more robust than forecast although uneven, European stocks outperformed the S&P500 index of leading U.S. shares in July, and interbank lending has recovered following the publication of stress test results on European banks.

An updated analysis of the pair is requisite for forecasting movements of Indian cross pair. This report provides a forecast for EURINR cross pair based on technical forecasting of EURUSD and USDINR.

**EURUSD- Technical Analysis**

The 2000-2008 primary uptrend has 5 wave structures and from July 2008 onwards it has been trading in corrective a wave which is in a 3 wave structure.

**The Primary Cycle**

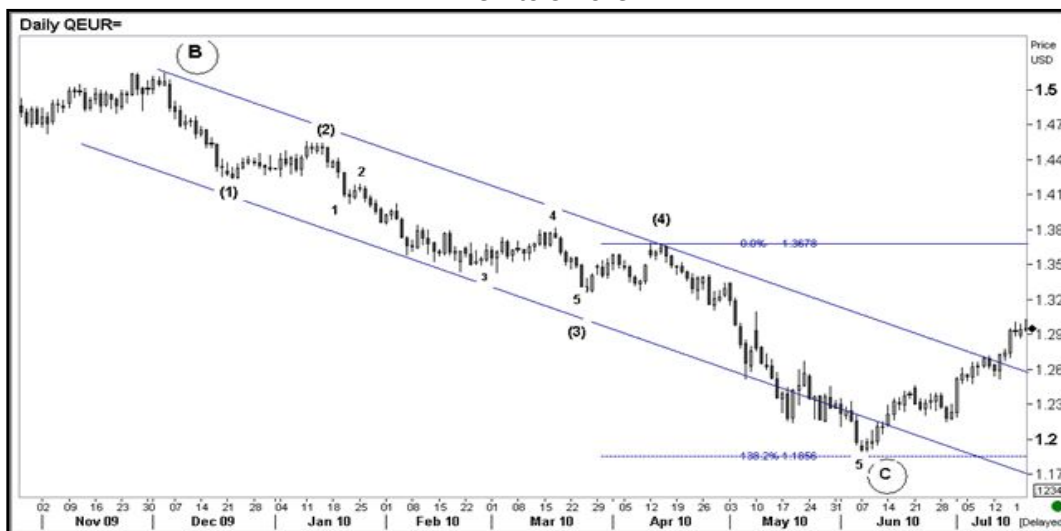


**The Primary Cycle Breaks:** 1 (0.8235 to 0.9429) 1-2 (0.9429 to 0.8346) 2-3 (0.8346-1.3668) 3-4 (1.3668 to 1.1668) 4-5 (1.1668 to 1.6037) 5-A (1.6037 to 1.2328) A-B (1.2328 to 1.5144) B-C (1.5114 to 1.1874)

**Corrective Wave**



The B to C move



The corrective trend started from 1.6037 and the first leg was completed at 1.2328 marking it is the first wave correction- A of the primary cycle. The intermediate rally from A-B took an (A)-(B)-(C) pattern. The B-C correction was in the form of a 5 wave pattern and market completed it at the 1.1874 which is slightly below the 50% retracement of 2000-2008 rally.

The recent upward move started from the 1.1874 marks the end of the bearish pattern. The market moved out of the bearish trend channel formed in the B-C move along with an inverted head and shoulder pattern which is also a bearish reversal.

We believe that “Channel Breakout” and “Inverted Head and Shoulder” pattern suggest an upward rally which is marking the start of “accumulation phase”. Let us have a look at the recent price swing with validation from indicators and pattern.



The pair recovered from the low of 1.1874 posted during the first fortnight of June and was trading in a bullish trend channel till the second week of July. The market advanced to a next higher trend channel and currently trading above the 1.30 mark.

The market has already advanced over 161.8% of the first leg of recovery (1.1874 to 1.2148). The first leg is identified as wave (i) of a new impulse wave structure and currently the market is in the (iii) - 3<sup>rd</sup> waves. It

has breached the 161.8% level pegged at 1.3090 and expected to find resistance at \$1.3350 levels the 200% of the wave (i) move.

The market is expected to advance towards 1.35 before a major correction further. The uptrend should hold as long as market donot violate the support of 1.2480 levels. The 1.35 level on the higher side is a major resistance level where the 100 and 200 day's EMA is converging.



**Our Short term Forecast- 1.35 (1 Month) and correction expected till 1.27-1.28 after testing the level. 3-4 Month forecast- 1.40**

**USDINR Spot- Technical Analysis**

The Indian pair reversed gains after further rate hikes by the RBI. Rates fell as low as 46.10 recently after breaching the support of 46.50. Rates rose to 47.41 during the third week of July. The market is currently trading in an intermediate bearish trend with crucial support at 45.50 levels. Momentum indicators are trending lower and approaching the oversold territory. The Daily RSI (14) is trading at 0.38 levels.



Rates have closed below the 50 and 100 day's EMA recently suggesting weakness. The market was holding above 50 day's EMA from May 2010 onwards and now closing below the average is suggesting weakness to persist in the coming days. The market violated the averages for 2 sessions in Mid June but managed to recover. Now the trend depends on whether the market holds below the 46.55 levels which is the 50 day's resistance now.

We see the change in rates from late July as bearish for the market and expect possible decline towards 45.50. In case market recovers above 46.50, upside should be capped at 47.05 marks.

**Our 1 Month forecast- 45.50 (Downside)**

**3-4 Month forecast- 45.30 (Average)**

**EURINR Outlook:** We expect the EURINR to test 61.60-61.80 level. We expect a possible correction towards 60.00-59.50 level in the near term. **Short term traders** can look for selling around 61.60-61.80 level targeting 60.00 and then 59.5 with stop loss above 62.00.


**Long term investors** can accumulate long positions on correction towards 59.00-58.50 levels with stop loss below 57.80. Long term target-63.50 (3-4 months)

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