

The USDINR has been under a downward sloping trend channel after posting a high of 52.17 during March 2009. From July 2009 onwards it has been travelling in a trend channel which is a corrective move of the rally of 39.47 to 52.17.

The pair has corrected towards 43.88 which is slightly below the 61.8% Fibonacci level of the bull rally started from January 2008.

During 2010, it has been defined in a range of 47.75 to 43.88 and during 2011; it has been trading in a range of 45.84 to 43.88. So, mostly in 2011, the pair has been under a mild downtrend. Momentum indicators are trending lower with weekly RSI has never seen move above 0.60 levels since April 2009. As of now, the weekly RSI (14) which shows the immediate market momentum is at 0.36 levels.

Technically, the 43.88 is a critical support for the market and break and sustain below the same may push rates towards 43.40 levels, but decline may not be very sharp.

As shown in the chart, the long term internal trend line support of 43.35 may act as a critical area for bottom fishing or may see bring in fresh buying interest above that level. The decline in the USDINR is less likely to be steep after looking at the momentum indicator behavior and internal trend line support.

On the higher side, 45.50 will be a critical resistance and a pullback can be possible towards the same if market holds the support. However, overall trend for the USDINR is still bearish.



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Short term traders can accumulate longs on decline towards 43.80 and then 43.50 levels for target of 44.80, 45.00 and then 45.50.

For importers, partial forward cover is ideal at 43.80-44.00 range. Exporters can look for cover around 44.60-44.80 for one month horizon and for longer time perspective like 3-4 months can look at levels around 45.00.

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