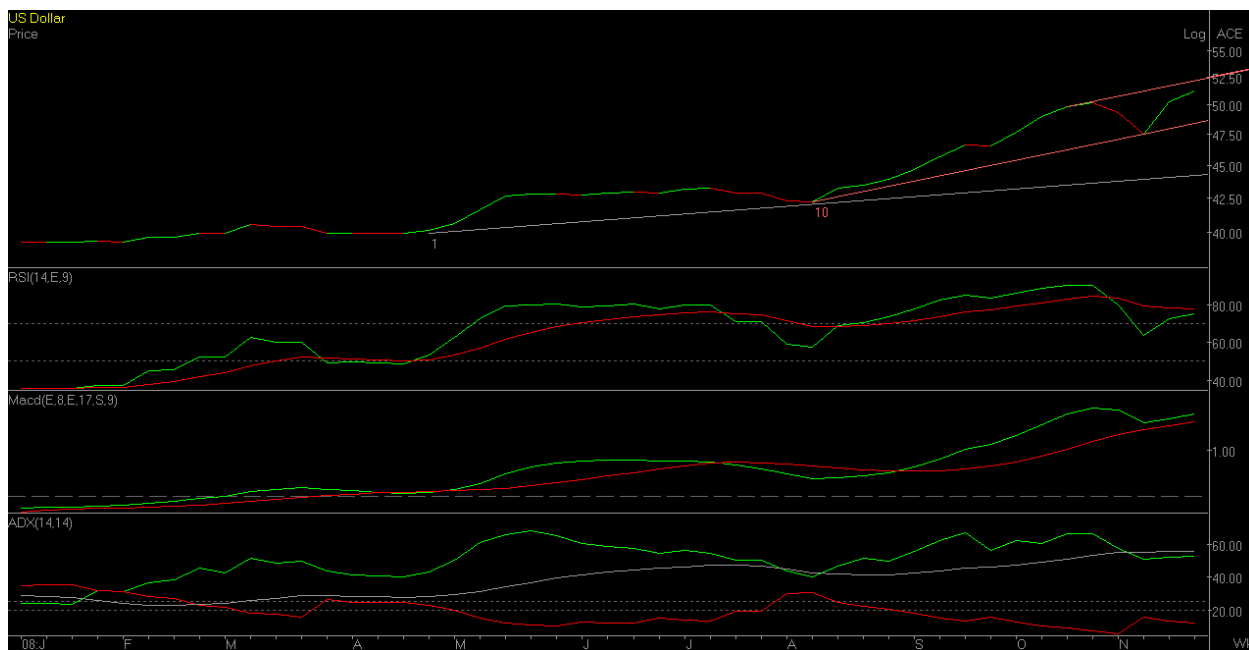


INR/USD (22 Nov 08): 51.29

## An End to INR/USD Bull Run: Now bet on a long bear run in INR/USD

*The mad scramble for USD from FIIs seems to be over post near vertical fall in stock indices in Oct-08. It's early to call whether stock indices have witnessed selling climax leading to an end to the bear market. However, the weight of the technical evidence suggests that the Bull Run that began in INR/USD in Jan 2008 (from INR 39.28/USD) has run its course and has most probably ended at the high of INR 53.76/USD on 27 Oct 08.*

Chart1: INR/USD Weekly Line Chart from 01-Jan-08 to 22-Nov-08



INR/USD is approaching upper boundary of the channel with divergences on key indicators at overbought levels. Narrowing of gap between +DI & -DI along with AD at a significantly high level of 56 suggests that the best for INR/USD is over. The most significant is the violation of uptrend in RSI (trendline not shown on the chart).

Chart2: INR/USD Daily Line Chart from 01-Feb-08 to 22-Nov-08



The daily chart clearly shows the divergence with RSI and a significant resistance on upper Bollinger band at a level lower than the previous peak. This has been empirically associated with a significant fall.

Our recommendation is to sell or short USD or create appropriate hedges. We expect INR/USD to go to 48 and then to 43. We shall review our view at each of these target levels.

Needless to say this recommendation is valid only for those for whom INR is their main currency.

For views on other cross currency rates, you may get in touch with our office.