

Rupee fluctuates within a range

The price band of 79-79.80 remains valid

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Gaining by 14 paise, the rupee (INR) was trading at 79.39 against the dollar (USD) in the offshore market on Tuesday. Thus, it remains within the range of ₹79-79.80 within which we expect the INR to stay in the coming week too.

There are positive factors for the domestic currency. Both CPI (Consumer Price Index) and WPI (Wholesale Price Index) inflation eased in July to 6.71 and 13.93 per cent, respectively compared to preceding month's 7.01 and 15.18 per cent, respectively. Crude oil prices too have been facing downward pressure in the recent weeks.

FPI flows positive, too

Also, the latest NSDL (National Securities Depository Limited) data shows that the net FPI (Foreign Portfolio In-



vestors) flows have been positive in August - it stands at \$2.9 billion so far.

Dollar uptrend

While the above factors have helped INR to stay steady, the uptrend in the dollar has not waned and it continues to weigh on the local currency. The positive and negative factors may not overpower each other leading to the currency pair of USD-INR staying in a range. The charts too do not indicate a definite trend for the rupee.

Chart

The rupee continues to remain within the range of 79 -

79.80. Until either of these levels are breached, the next leg of trend will remain uncertain. While supports below 79.80 are at 80 and 80.20, resistances above 79 are at 78.70 and 78.35.

But note that the overall trend is bearish, and the upside can be capped at 78.35 where a trendline resistance is expected to coincide.

The dollar index (DXY) took support at 105 and has been appreciating over the past few trading sessions. Currently trading at around 106.90, it can face hurdle at 107.40. Subsequent resistance is at 108.70. There is also a good possibility that DXY can stay within the range of 105-107.40 in the near-term.

Outlook

Softening inflation and good FPI inflows are supporting the rupee, but it is being capped by the dollar strength. This trend is likely to stay true in the near-term. Therefore, we forecast the rupee to fluctuate within the 79-79.80 range.