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Rupee extends consolidation

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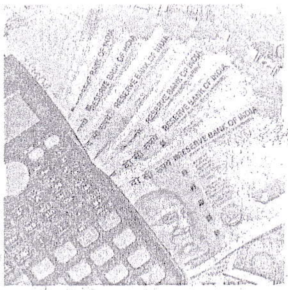
The rupee ended flat at 83.26 versus the dollar on Tuesday. Therefore, the exchange rate continues to move in a tight range of 83-83.30.

WEEKLY RUPEE VIEW.

The Indian currency is holding its ground despite capital flight. According to the latest NSDL (National Securities Depository Ltd) data, net FPI (Foreign Portfolio Investors) outflows over the past week stand at $1.6 billion. For October, net outflows have been recorded at $2.1 billion.

WHAT THE CHARTS SAY

Besides, there has been upward pressure on US Treasury yields and, consequently, on the dollar. In spite of this, the local currency staying steady could be because of potential RBI (Reserve Bank of India) intervention, according to some market reports.



Whatsoever, there are challenges for the rupee, especially given the geopolitical uncertainty. So, at the moment, the risk of a fall is looming.

As the rupee closed at 83.26 on Tuesday, the price range of 83-83.30 remains valid. Only a breakout will lend us strong clues about the next leg of the trend.

In case the rupee breaks out of the resistance at 83, it can move up towards the next resistance at 82.70. The barrier above this is seen at 82.50. On the other hand, if the rupee falls below support at 83.30, it can swiftly decline to 83.50. There is a good chance of the downswing extending to a much lower support band of 83.80-84.

The dollar index (DXY) is currently trading at around 106. It has moderated a little after marking a high of 107.40 in early October. As long as it stays above support at 105.50, the bullish inclination will be retained. From the current level, DXY's immediate barrier is at 106.70. If the support at 105.50 is breached, there could be a drop to 104.50.

OUTLOOK

The rupee's trend is flat at the moment as it continues to oscillate between 83 and 83.30. However, several factors such as rising US yields, dollar strength and FPI selling can trigger a sell-off at anytime. Also, the US Fed meeting is up for tomorrow. Their statement can increase volatility in the dollar rupee pair.

Hence, traders should stay cautious.