

Rupee outlook uncertain

WEEKLY RUPEE VIEW.

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The rupee, which gained last week, marked a high of 82.12 against the dollar on Thursday. However, the rupee changed direction and fell. On Tuesday, it saw a marginal gain to close at 82.71.

The dollar seems to be firming up as we approach the US Federal Reserve meeting, which is set to happen on Wednesday. The broad expectation is that the Fed will hike rates by 75 basis points. This has overshadowed the rally in the equity market, which could have normally lifted the Indian currency on the back of risk-on sentiment. That said, as the equity market looks optimistic, foreign flows have been positive of late.

Over the past week, the net inflows from the FPIs (foreign portfolio investors) stands at a little over \$1 billion, as per the NSDL (National Securities and Depository Limited) data.

So, despite good FPI inflows, the local currency has depreci-



GOING DOWN. Despite good FPI inflows, the Re has depreciated against the dollar

ated against the greenback. Note that further downside pressure on the rupee could come from the crude oil prices, which are now trading with upside risks.

CHART

That said, the dollar-rupee currency pair can be subject to heightened volatility because of the Fed meeting this week.

While the rupee appreciated last week, it could not rally past the 82-mark. The currency actually started falling towards the end of last week. It closed at 82.71 on Tuesday. As it stands, the price action gives a bearish tilt and unless the 82-level is breached, the rupee bulls will not be able to ce-

ment their position. The rupee is facing downside risk from here. Yet, it has good support at 83 and that makes the price range of 82-83 a key price region. The direction of the break of this range could lend us clue on the next leg of trend.

Support below 83 is at 83.30, whereas resistance above 82 is at 81.75 and the subsequent one is at 81.30.

The dollar index (DXY) bounced off the support at 110 last week and is currently hovering around 110.83. Until the support at 110 holds, the overall bias will be bullish. It faces resistance at 112 and at 114 on the upside. But if the support at 110 is breached, it could turn the near-term outlook negative, as DXY could decline to 108.

OUTLOOK

Technically, the rupee now seems to be stuck in the 82-83 price range. With key events coming up, the risks seem to be evenly poised on both sides. While it is uncertain in which direction the currency pair could move after the announcement of policies by the Fed on November 2, the key levels to watch outside of this range are 83.30 and 81.30.