Rupee to remain range-bound

Akhil Nallamuthu
bl research bureau

The dollar seems to be on a good upward momentum for nearly three weeks. This week, too, it has gained so far, triggered by a better-than-expected US ISM Manufacturing PMI (Purchasing Managers Index).

WEEKLY RUPEE VIEW

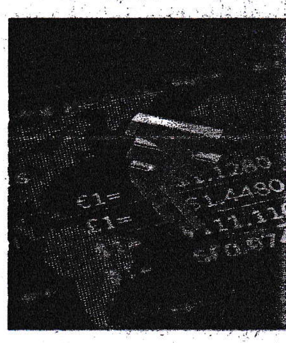
Over the past week, the rupee depreciated marginally as the dollar appreciated. The rupee closed at 83.39 on Tuesday versus 83.31 a week ago.

The foreign flows have been muted over the past week. The NSDL data show that the net FPI inflows over the past week stood at a mere $55 million.

On the other hand, the crude oil prices are on a rise. Brent crude, currently at around $88.6 per barrel, has appreciated about 8 per cent in the last three weeks. Inverse relationship between crude oil prices and the rupee means the rally can weigh on the domestic currency.

The above being said, the Reserve Bank of India is set to announce its monetary policy on April 5. Therefore, the local currency will most likely stay flat ahead of the central bank meeting.

Technically, the rupee stays above a key support. Below is an analysis.



CHART

The rupee remained within the price range of 83.25 and 83.45. If the rupee decisively breaches the support at 83.45, it can depreciate to 83.80 and possibly to 84 in the short-term. On the other hand, if the rupee rallies past the hurdle at 83.25, it will face resistance at 83. Subsequent resistance is at 82.85.

The dollar index (DXY) has begun the week on the front foot. It is currently testing a resistance at 105. On the back of the prevailing positive momentum, if DXY breaks out of 105, it can go up to 106 swiftly.

On the other hand, if the dollar index falls off the barrier at 105, it can moderate to 104.20, a support. Subsequent support is at 103.60.

OUTLOOK

As there is RBI monetary policy event on Friday, we expect the rupee to stay within 83.25 and 83.45 until then. The direction of the breakout of this price band will give us a clue about the next leg of trend in USD-INR cross.