

Rupee's sideways pattern to persist

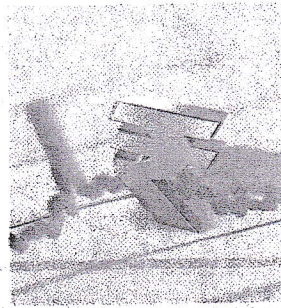
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The rupee inched down and closed at 83.50 against the US dollar on Tuesday. As the greenback has been flat over the past week, the domestic currency has also maintained a horizontal movement.

WEEKLY RUPEE VIEW.

Foreign flows have been a positive factor for the Indian unit. According to NSDL data, net FPI inflows over the past week stood at about \$2.2 billion. In June, the net capital inflows stood at \$5 billion.

However, crude oil prices have been rising over the past month. The rupee's inverse relationship with the fuel is negatively impacting it. The cost of Brent futures has risen nearly 12 per cent. That being said,



the chart shows that rupee remains steady in a range within which it has been trading for quite some time.

CHART

The rupee, currently at 83.50, is hovering near the bottom of the 83-83.60 range. If it depreciates and slips below the support at 83.60, it can intensify the sell-off, mostly leading to a quick fall to 84. A breach of this can drag the rupee to the 84.20-84.30 range.

On the other hand, if the rupee recovers from the

current level of 83.50, it will face its nearest resistance at 83.20 and 83. A breakout of 83 can turn the near-term outlook bullish. Resistance above 83 can be spotted at 82.80 and 82.50.

The dollar index (DXY) is now trading around 105.80. It has remained above the key level of 105.50. So long as it stays so, the probability of a rally will be high. Such an upswing can take DXY to 106.50 and then possibly to 107.

However, if the dollar index falls below 105.50, it can extend the downswing to 104.50. If this move happens in DXY, the rupee can head towards 83 quickly.

OUTLOOK

The probability is high for the Indian currency to continue to trade between 83 and 83.60 against the dollar in the forthcoming sessions, given the prevailing conditions.

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