

WEEKLY RUPEE VIEW

Rupee could advance further against dollar

But watch out for RBI policy decision this week

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The rupee has been on an ascent since last Thursday against the US dollar. On Tuesday, the domestic currency gained 0.4 per cent to close at 78.72. Thus, the year-to-date loss of INR versus USD is now down to 5.9 per cent. The gain was largely due to the weakness in the dollar over the past week.

The US treasury yields are also on a decline, weighing on the greenback.

Apart from that, the fund flows have been in favour of the Indian currency. As per NSDL (National Securities Depository Lim-

ited) data, foreign flows turned positive for the first time in July this year i.e., the net inflow from the foreign portfolio investors (FPIs) last month stood at \$239 million. Also, the price of crude oil too us down in the early part of this week providing some relief to the local unit.

While the fundamental factors look good at this moment, the overall trend remains bearish as we look at the charts and there are some key barriers to break for the rupee.

Rise to 78.25/78 possible

The rupee is on a rally of late, and by closing at 78.72 on Tuesday, it has closed just above the resistance of 78.80. If it can sustain above this hurdle, there are



good chances for INR to appreciate further to 78.25 and 78, the nearest notable resistances. On the downside, 78.80 will now act as a support. Subsequent support is at 79.10.

The dollar index (DXY) depreciated over the past one week and is currently trading at 105.60 after testing the support at 105. The 50-day moving average coin-

cided at 105, making it a strong support. Therefore, a bounce from the current level cannot be ruled. On the upside, it can rally to 107 in the coming week. But if 105 is breached, there could be a decline to 103.80.

Outlook

Although the major trend is bearish, the rupee has moved above some important levels over the past week. We expect this run to continue at least until Thursday when the Reserve Bank of India will announce its latest policies. There are chances for the rupee to touch 78.25 this week.

But note that RBI policies can induce some volatility which can distort the current trend.