

Rupee likely to recover

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The rupee closed at 85.59 against the dollar on Tuesday, 0.3 per cent lower than last Tuesday's close of 85.34. This is despite some moderation in the greenback.

WEEKLY RUPEE VIEW.

Reports suggest that the RBI has been buying dollar inflows, weighing on the rupee's recovery.

Recent data show that foreign exchange reserves have gone up \$7 billion to nearly \$693 billion.

Also, the doubling of tariffs to 50 per cent for steel and aluminium imports to the US as announced by Donald Trump have created some jitters.

On the other hand, over the past week, foreign inflows have been good.

According to NSDL data, net FPI inflows between May 27 and June 2 stood at about \$1.5 billion, supporting the domestic currency.

That said, overall, the net impact of the above factors appear neutral as the exchange rate stayed in a narrow range over the past few

sessions. Below is what the charts tell us. The rupee, after marking a high of 84.78 last Monday (May 26), has seen some moderation. It closed at 85.59 on Tuesday. Note that 85.60 is a support with the following one at 85.75.

The trend for the rupee will turn bearish only if it falls below 85.75. In such a situation, it can slip to 86. For this to happen, the dollar index should rise past the 100-mark, which appears less likely given the current chart set up.

The dollar index has been in a bear trend, and the price action suggests a further decline from the current level of 99.

The nearest support levels are at 98 and 97. If the dollar index declines to 98 and 97, the rupee can appreciate to 85 and 84.80. The upswing might extend to 84.50, a resistance level. Subsequent resistance is at 84.25.

OUTLOOK

With support at 85.60 and 85.75, we expect the rupee to gain moderately to 85.15 or to 85 over the next week. But, broadly, the range of 85.00-85.75 is expected to remain true for some more time.