

# Short-term recovery possible for the rupee

Gurumurthy K  
bl. research bureau

The rupee tumbled to a new low of 84.76 against the dollar on Tuesday. From there, it managed to recover slightly to close the day at 84.69. Weak GDP data release on Friday is weighing on the domestic currency. India's GDP grew at a much slower pace of 5.4 per cent in the second quarter of FY25. The economy grew by 6.7 per cent in the first quarter of FY25.

## WEEKLY RUPEE REVIEW.

The rupee, which was holding well above 84.5 until last week, got knocked down below this level of Monday. The fall extended further on Tuesday as well before witnessing some recovery towards the end of the day.

### MONETARY POLICY

The Reserve Bank of India's (RBI) monetary policy meet-



ing outcome will be out on December 6. There were some noises that the RBI should cut rates this week after the weak GDP data release last week. However, experts believe the Central bank will continue to retain the interest rates at current levels for some more time. So, we will have to wait and see what the RBI does on Friday this week.

### STRONG DOLLAR

The dollar index (106.30) has started to move up after witnessing a corrective fall to 105.60. The index has strong support in the 105.50-105 region, which is likely to limit the downside in the

short term. As long as the dollar index stays above 105, the outlook will remain bullish. The index has potential to target 110 on the upside in a couple of months. So, that would continue to keep the ₹ under pressure.

The non-farm payroll and the unemployment rate data release from the US on Friday will need close watch. The outcome of this data can cause more volatility in the market. The rupee (84.69) has support in the 84.80-84.85 region, which could be tested this week. We expect this support to hold on its first test. So, there could be short-lived recovery from the 84.80-84.85 support zone in the coming days.

That could take the rupee slightly up to 84.60 — an immediate resistance. If it manages to break 84.60, the recovery could extend to 84.50. In case the rupee breaks below 84.85, it could fall to 84.95-85 immediately. Broadly, 84.60-84.85 (narrow) or 84.50-85.00 (broad) could be the trading range for the rupee for some time.