

Rupee stays flat with uncertain trend ahead

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The rupee remained trendless against the dollar over the past week. It closed largely unchanged on Tuesday at 82.89, compared with last Tuesday's close of 82.90.

WEEKLY RUPEE VIEW.

One reason for this is that the dollar is staying subdued. For nearly two weeks, the dollar index has been moving sideways without exhibiting any bias.

On the other hand, the hardening of crude oil prices is a negative for the rupee due to its inverse relationship, as India is dependent on imports. However, this seems to be balanced by strong foreign inflows.

The net FPI inflows over the past week stood at nearly \$1.3 billion. While February saw a net inflow of \$3.8 billion, the same for March so far is about \$0.84 billion. So, the capital inflows are helping the domestic currency. That said, the chart indicates uncertainty over the next leg of the trend. Here's an analysis.

CHART

The rupee continues to hover near the resistance band of 82.80-82.75. If it surpasses 82.75, we are likely to see the upswing extending to 82.50 and then to 82.20. But if the rupee falls from the current level, there is support at 83. A trendline coincides at this level, making 83 a strong support. If this is invalidated, then the local currency might depreciate to 83.20 or to 83.35. This depends on the dollar's movement.

The dollar index is range-bound, oscillating between 103 and 104. Immediately above 104 is the resistance at 104.50. So, for DXY to turn bullish again, it ought to surpass 104.50, in which case it can rally to 105.50 and 106. However, if the dollar index slips below 103, where the 50-day moving average currently lies, the outlook can turn negative. In that case, DXY might fall to 101.80 or even to a lower level of 100.50.

OUTLOOK

The flat trend in the rupee-dollar rate and the dollar index keep the outlook uncertain. There is a chance for the consolidation between 82.75 and 83 to continue in the forthcoming sessions.