

Rupee set to witness higher volatility

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The rupee hit an all-time low of 84.13 against the dollar on Tuesday before ending the session at 84.11.

The domestic currency has been facing selling pressure ahead of the US presidential election as participants turned cautious.

WEEKLY RUPEE VIEW.

On the other hand, the FPIs (Foreign Portfolio Investors) have been selling considerably in the domestic equity market. Over the past week, the net FPI selling stood at about \$1.2 billion. After registering a record net sale of \$11.4 billion in October, so far in November, the net capital outflows have been \$0.6 billion.

That said, some market experts cite that the Reserve Bank of India (RBI) has been selling dollars in order to keep the volatility in the USDINR pair under check.

A drop in the foreign reserves is an indication — it dropped to \$684 billion on November 1 from \$705 bil-



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lion by the end of September.

While the Indian currency hit a record low, the chart shows that the broader trend has been flat. Therefore, largely, the risk seems balanced on both sides.

CHART

Although the rupee marked a low of 84.13 on Tuesday, it closed the day at 84.11, closing near the crucial 84.10. This may not be considered as a breach of the base at 84.10.

The chart shows that the rupee has been oscillating in the narrow band of 84-84.10 for about three weeks.

In case the downward pressure builds up again, leading to depreciation in the rupee, it can find support at 84.25. Subsequent support is at 84.50.

On the other hand, if there is a rally, the rupee can face a hurdle at 84. A breakout of 84 can lift it to 83.90 and then possibly to 83.80.

The dollar index (DXY) which has been testing the barrier at 104.60, has seen a decline over the past week to the current level of 103.80. As it stands, the likelihood of a drop to 103.30 is high.

The next leg of the trend depends on whether 103.30 holds or not. While a rebound can lead to a breakout of 104.60, a breach of 103.30 can result in a fall towards 102.50.

OUTLOOK

The USDINR pair is expected to see higher volatility this week triggered by the US election on Wednesday and the interest rate announcement by the Fed the following day. Consequently, the rupee might move out of the 84-84.10 range. But the direction is uncertain as of now. So, participants need to stay cautious.