

# Rupee in a consolidation phase helped by domestic factors

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The rupee closed at 88.78 versus the dollar on Tuesday. After witnessing a significant downward pressure in the recent months, the local currency seems to have found some stability now.

## WEEKLY RUPEE VIEW.

Though the dollar, which depreciated last week, is showing signs of recovery now, the rupee has stayed steady so far this week. The recovery in the Indian equity market is keeping the sentiment positive.

The benchmark index, Nifty 50, has gained 2 per

cent so far in October. Also, the Services PMI (Purchasing Managers Index), despite seeing some moderation to 60.9 in September from 62.9 in August, remains in the expansion zone. So, domestic factors have been helping the local currency.

On the charts, the rupee stays flat but there has been no signs of a bullish trend reversal. On the other hand, the dollar index is facing a key resistance.

Below is an analysis. The rupee has been charting a sideways trend between 88.60 and 88.80 over the past couple of weeks.

Nevertheless, this does not mean a positive reversal in trend. Only a decisive breakout of 88.60 and 88.40 will turn the near-term out-



look positive. A breach of 88.40 will see the rupee strengthening to 88. On the other hand, if the bears regain traction and drag the rupee below 88.80, the domestic unit might begin another leg of downswing, which can take it to 90.

The dollar index started recovering on the back of the support at 97.60 towards the

end of last week. However, there is a resistance ahead at 98.70, which is also the neckline of an inverted head and shoulder pattern. So, if the dollar index rises past 98.70, it can open the door for a rally to 100.50 as per the chart pattern. Yet, note that 100 is a potential resistance.

Overall, if the dollar index fails to break out of the resistance at 98.70, the rupee will have room to gain some ground. But if the dollar in-

dex surpasses 98.70, it can weigh on the rupee, possibly triggering a decline in the rupee to 89 and 90 against the dollar.

## OUTLOOK

At the moment, the rupee is in a sideways crawl and the dollar index is facing a resistance. So, the movement in dollar-rupee exchange will depend on how the dollar index reacts to the upcoming resistance.