

# Dollar gains, but rupee stays resilient

**Akhil Nallamuthu**

bl research bureau

The dollar has been rising since Thursday, putting pressure on the rupee (85.70). The greenback rose, supported by safe haven demand, as Trump reignited the trade war by announcing tariffs on 14 countries from August 1.

## WEEKLY RUPEE VIEW.

US Treasury yields are also hardening (up from 4.23 per cent on June 30 to the current 4.4 per cent), pushing the dollar up.

Also, a better-than-expected addition in non-farm payrolls (1,47,000 versus the expected 1,11,000) means the Fed might maintain the dovish stand, and potentially higher rates for a longer period can support the US currency.

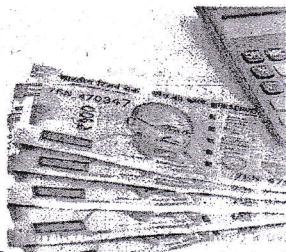
However, this seems to have only a limited impact on the rupee. The currency is in a comfortable position due to several factors.

One, foreign inflows have been good — net FPI inflows so far in July stood at \$1.1 billion on Tuesday.

Two, a higher-than-expected production increase by the OPEC+ for August (5,48,000 barrels per day from 4,11,000 barrels per day in July) is expected to contain oil price rise.

Three, foreign exchange reserves have topped the \$700 billion-mark, keeping the RBI in a strong position to curb volatility in the exchange rate should there be any.

Also, a potential mini trade deal between India and the US might provide more



support for the domestic currency. Largely, the risks with respect to fundamental factors are evenly poised. The charts seem to be substantiating this.

### CHART

Since mid-May, barring the temporary move below the support at 86.10 in the third week of June, the rupee has largely remained within the 85 and 86.10 band, even though the dollar index fell.

The prevailing price action hints that the rupee is likely to stay within the above-mentioned range in the near term. Nearest support below 86.10 is at 86.60 and immediate resistance above 85 is at 84.60.

The dollar index, currently trading at 97.25, has been recovering in recent sessions.

However, the broader trend remains bearish. Only a clear breakout of 99.50 can turn the near-term outlook positive.

At the same time, the decline, if it resumes, may not drag the dollar index below 96, which is a notable support.

### OUTLOOK

Given the current developments with respect to fundamentals and the prevailing chart set up, the exchange rate of the dollar-rupee pair is expected to oscillate within 85 and 86.10 in the short term.