

Rupee near a crucial support

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The rupee has declined sharply, though within its range, over the last week. The domestic currency, which was trading around 82.20 against the dollar, has weakened to 82.8350, down by about 0.8 per cent.

WEEKLY RUPEE VIEW.

A sharp rise in US Treasury yields after Fitch Ratings downgraded the US debt rating, pushed up the dollar index sharply, dragging the rupee lower.

EVENTFUL WEEK

A couple of important events that can influence the rupee movement are to be closely watched this week. First, the RBI's monetary policy decision on Thursday.

US inflation data will be released the same evening, which will offer clues on the Fed's rate action at its next meeting in September. The outcome of both of these events can cause volatility in the market.

The dollar index (102.65)



declined sharply to hit a low of 101.74 after making a high of 102.85. However, it has recovered all its losses over the last couple of days to trade at 102.65 currently. The near-term outlook is positive. The index has immediate resistance at 103. If it manages to breach this hurdle, a further rise to 103.50 and 104 will be seen in a week or two.

Support is at 101.75. The short-term outlook will turn negative only if the dollar index declines below this support.

RUPEE OUTLOOK

The rupee (82.83) has been trading in a sideways range of 81.50-83 since March this year. The domestic currency is now closer to the lower end of this range. As such,

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the price action in the next few days will need to be watched closely. The chances for the rupee to dip towards 83 over the coming days look good. But whether it manages to sustain above 83 or not is crucial.

A break below 83 will be bearish. It will mark the end of a prolonged consolidation. Such a break would open the doors for the rupee to tumble towards 85 in the coming months.

On the other hand, if the rupee manages to turn around from near 83, it will keep the broader sideways range intact. In that case, the rupee could recover towards 82.20 and 82 in a week or two. Broadly, the price action around 83 will need close watch in the coming days.