

# Rupee likely to stabilise at current level

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The rupee (INR) has been facing downward pressure of late against the dollar (USD). On Tuesday, it closed at 83.96 versus 83.82, a week ago.

## WEEKLY RUPEE VIEW.

A sharp recovery in the dollar has been the major reason. The dollar index has appreciated 1.6 per cent over the past week. Positive employment data released in the US last week and investors looking for a safe haven triggered by tensions in the Middle East has corroborated a rise in the greenback.

On the other hand, the rupee had to deal with its own problems. First, in October so far, with negative fund flows so far in October. After witnessing a record monthly



**ALL EYES ON RBI.** The Reserve Bank will announce its interest rate decision on Wednesday

inflow in September, for the current month, the net FPI outflows stand at \$3.8 billion.

Secondly, recovery in the crude oil prices weighed on the domestic currency. Brent crude oil price has surged by nearly 10 per cent so far this month.

The inverse relationship between the rupee and the crude oil means this is negative for the local unit.

On Wednesday, the Reserve Bank of India (RBI)

will be announcing its interest rate decision. This could have an impact on the exchange rate. But note that, RBI prefers the exchange rate to be less volatile and considerable forex reserves (\$705 billion) can be a good tool to achieve stability.

### CHART

Despite the rupee witnessing bearish pressures, it held on to the support at 84. At the moment, a break below this level is unlikely. Even if this

base is breached, the downswing can be limited, possibly to 84.10.

On the other hand, if INR appreciates from the current level, it can face resistance at 83.80. A breakout of this can lift the domestic currency to 83.60.

The dollar index (DXY) rallied past the key resistance of 101.8 last week. This has turned the short-term outlook positive. That said, there is a resistance coming up at 103. If DXY surpasses this level, it can extend the uptrend to 104.

In case DXY falls from here, it can find support at 101.80. A breach of this level can bring back the bearish pressure, possibly dragging the index to 100.50.

### OUTLOOK

As it stands, the rupee is likely to stay within 83.80 and 84.10. One should keep an eye on RBI's policy announcement and the dollar movement.