

Rupee expected to stay within the range of 78.50-80 against dollar for a month

Strong FPI inflows can be a good buffer for INR

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The rupee (INR), which was at 78.72 a week ago, depreciated against the dollar (USD), and on Monday, it closed at 79.65. The drop was largely due to the gain in the dollar on the back of strong employment numbers, which kept the expectations of the Fed carrying out sharp rate hikes reasonable.

However, the downside in

the Indian currency was limited because of the strong foreign inflows.

Latest data from NSDL shows that net Foreign Portfolio Investors (FPI) inflow in August so far is at a little over \$2 billion.

Also, crude oil prices have been falling, supporting the local unit. The price of Brent crude futures, which was at \$110 a barrel by the end of July, currently hovers around \$98.

That said, the charts indicate that there is a high probability for the currency pair of USD-INR to stay in a range.

The rupee declined over the

past week, contrary to our expectation. However, a further fall from the current level of 79.65 looks less likely. In the coming week, INR is expected to trade in the range of 79-79.80.

This can be the narrow range. Broadly speaking, we forecast the rupee to stay within the range of 78.50-80 for a month or so. A breach of either of these levels can set the next swing in price.

The dollar index (DXY), currently trading at 106, is expected to oscillate within the range of 105-107.50 in the near-term.

This will strengthen the case for the rupee to stay sideways.

Outlook

While the strong US employment numbers can provide strength to the dollar, substantial FPI inflows can act as a strong buffer against the downward pressure on the rupee.

This can lead to the USD-INR currency pair remaining in a range. The charts, too, indicate a possible sideways trend. Therefore, at least in the coming week, the rupee may stay within a price band, probably within 79-79.80.