

Rupee may stay boxed

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The rupee witnessed some moderation against the US dollar in the recent sessions. But on Tuesday, it appreciated by 0.2 per cent to end at 90.58, covering some of the losses made in the preceding sessions.

WEEKLY RUPEE VIEW.

The Indian currency remained soft despite favourable factors like a weakening dollar and positive capital flows of late.

The recent emphasis of Japanese authorities about potential intervention in the currency market weighed on the dollar. The dollar index lost 1.2 per cent since last Friday.

With respect to the domestic factors, NSDL data shows that foreign portfolio investors (FPI) has pumped in a net \$1.9 billion into the Indian market (equities and debt combined) over the last week.

Despite the above factors, the local unit could not ap-



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preciate as the risk appetite remained fragile influenced by geo-political uncertainties, especially the US-Iran talks. This can be particularly important for the rupee because the outcomes can impact oil prices considerably and India relies heavily on imports. Any significant rise in oil prices can be negative for the rupee.

The chart, too, shows that the rupee is struggling to rise as it faces resistance. Below is an analysis.

CHART

The recent rally in the rupee was arrested by the resist-

ance at 90.20 last week. After consolidating around these levels for some time, the local currency has now slipped to the current level of 90.58.

Above 90.20 is another resistance at 90. So, going ahead, the region between 90 and 90.20 can block the rupee bulls. On the other hand, there is a support at 91, which has the potential to stop the decline, at least temporarily.

Coming to the dollar index, it fell off the 21-day moving average at 98 last Friday and is now trading at 96.90. The price action appears bearish and there might be some more decline, which can be stopped by the support at 96.40. Subsequent support is the region between 95.60 and 95.80.

OUTLOOK

The weakness in the dollar can help the rupee to an extent. However, the chart shows that there is a notable resistance between 90 and 90.20. We expect the dollar-rupee exchange rate to stay within 90 and 91 in the near term, unless some unforeseen factors come into play.