# Dollar depreciation set to lift rupee

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The rupee closed at 85.62 against the dollar on Tuesday versus last Tuesday's close of 85.59. So, on a weekly basis, the domestic currency appears to have remained almost flat.

## WEEKLY RUPEE VIEW.

However, there was considerable intra-week volatility. The currency depreciated to mark a low of 86.02 last week. But it has recovered over the past few sessions, and is poised at 85.62.

Over the past week, there were foreign money outflows, which weighed on the currency. Data from NSDL show that net FPI outflows since June 3 stood at a little over $1 billion as on Tuesday. Rising crude oil prices have also been a drag on the currency. The price of Brent crude oil futures ($67.30/barrel) has risen over 7 per cent so far in June.

Also, a larger than expected rate cut of 50 basis points in the repo rate to 5.5 per cent by the Reserve Bank of India is negative for the rupee due to the narrowing rate differential with the US.

However, this has boosted sentiment in the market, as it can lead to a lowering of borrowing rates, providing a cushion for the rupee.

Nevertheless, there are uncertainties like the US-China trade talks, which can work either way for the market. So, investors need to stay cautious. For the rupee, 86 acted as a strong base and arrested the decline last week. While the local currency has rebounded on the back of this level and is currently trading at 85.62, there are resistance levels ahead.

The nearest barrier is at 85.50 followed by 85.30. The dollar index remains weak and is trading below the resistance at 99.50. Above this is another hurdle at 100. As long as the index remains below these levels, the inclination will be bearish.

Given the prevailing price action, the dollar index is set to depreciate to 98 in the near-term. Such a decline can help the rupee gain, possibly to 85.30 and 85. While the fundamental factors appear mixed, the charts of the rupee and dollar index show that there is room for the currency to rise to 85.30.

A strong upward trigger can lift the rupee further higher to 85.