

Rupee stuck in a narrow range

Gurumurthy K

bl. research Bureau

The rupee has not gone anywhere in the last one week. The domestic currency has been stuck inside a narrow range of 83.17-83.27 over the last one week.

On Tuesday, it has closed near the lower end of range at 83.25. During this period, the dollar index has declined sharply from around 107 to the current levels of 105.82.

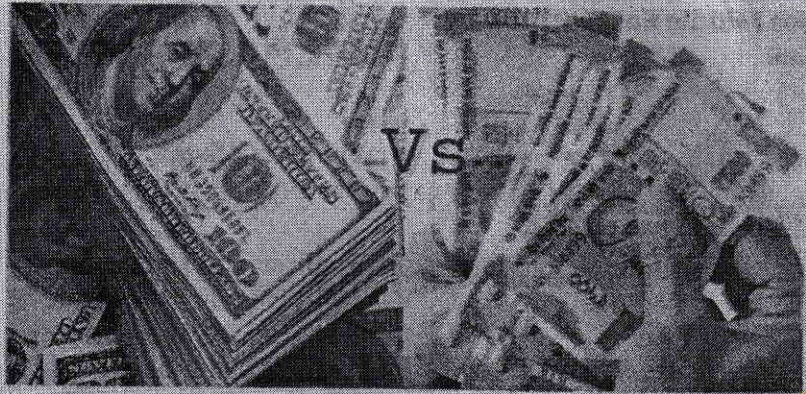
WEEKLY RUPEE VIEW.

The crude oil price also fell sharply. Brent crude price fell from around \$91 per barrel to make a low of \$84 last week on Friday. However, oil prices have risen back sharply after the surprise attack by Hamas on Israel.

WEAK DOLLAR

The sharp fall from a high around 107.35 in the dollar index below 106 has turned the outlook negative. The index can now fall to 105 and even 104.50 in the short-term. This could be positive for the rupee.

However, the recent fall below 106 has not made a positive impact on the rupee. So, it



WAIT AND WATCH. We will have to wait for a breakout on either side of 83.10 or 83.30 to get clarity on the next move

will have to be seen whether the expected fall to 105-104.50 on the dollar index can aid the rupee to strengthen or not.

To avoid this fall to 105-104.50 on the dollar index, a sustained rise above 106.30 will be needed. Only in that case, the index can rise back to 107 and turn the outlook bullish again.

WATCH OUT ON OIL

The Brent crude oil prices have risen sharply from around \$84 to \$88 per barrel now. The Hamas-Israel war has triggered this bounce in the oil prices. Resistance for the Brent is at \$90. A strong break above it can take the Brent crude price up to \$95 again and even higher.

But failure to rise past \$90, can take the price down to \$85

again. It will also keep the doors open for the oil price to touch \$80 on the downside. So, as long as the oil price remains below \$90, it is not a threat for the Indian rupee.

OUTLOOK

For now, the 83.17-83.27 range is intact. A key support is at 83.10. So, the trading range can be widened slightly to 83.10-83.30. We will have to wait for a breakout on either side of 83.10 or 83.30 to get clarity on the next move.

A break above 83.10 can take the rupee up to 82.90 - the next important support for the rupee. But a decisive break below 83.30 can increase the downside pressure. Such a break can drag the rupee down to 83.50 and even 83.70 in the short-term.