

Support ahead for the rupee

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The rupee continues to remain under pressure. The recovery seen last week was short-lived. The rupee rose to a high of 84.53 on Friday last week but could not sustain. It fell back immediately giving back all the loss. The currency fell breaking below the intermediate support level of 84.75.

WEEKLY RUPEE VIEW

The trigger for the break came on Monday evening after the news on appointment of the new Reserve Bank of India governor. In the off-shore market, the rupee fell sharply after this news on Monday. That resulted in a gap-down open below 84.75 in the onshore market on Tuesday. The rupee fell to a new low of 84.86 and has closed at 84.85 on Tuesday.

REGAINING STRENGTH

The dollar index (106.42) has held very well above its support at 105.50. The index has risen back very well after



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making a low of 105.42. The strong rise above 106 indicates that the dollar index is regaining strength after a short-lived correction.

The outlook is bullish. The dollar index can rise to 108 in the near-term. From a big picture, the index has potential for a rise to 110-111 in the coming weeks.

Strong dollar can keep the upside in the rupee. It also indicates that more weakness is ahead for the rupee.

SUPPORT AHEAD

The Indian rupee has room to fall further to 84.95-85

from here. The region between 84.95 and 85 is a good support zone which can halt the fall for now at least. So, we can expect the rupee to see a recovery from the 84.85-85 towards 84.75 or 84.65.

However, a rise above 84.65 might be difficult as the dollar strength can limit the upside in the rupee.

So, from a big picture, we can expect the rupee to breach 85 and fall further over the medium-term.

FED MEETING

The US Federal Reserve meeting is due next week on December 18. Market is expecting a 25 basis point rate cut in this meeting.

According to CME Group's FedWatch Tool, the probability of a 25-bps rate cut next week is 86 per cent.

Apart from the rate cut, what is going to be very important to watch in this meeting will be the Fed's economic forecast.

The forecast released in September has kept the doors open for a 100-bps rate cut in 2025.

Any change in this forecast will cause volatility in the market.