

# Rupee may edge higher against dollar

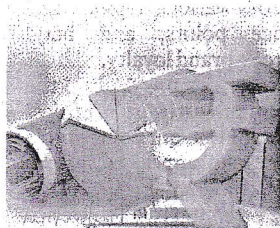
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The rupee, which closed at 87.22 on Tuesday, was flat against the dollar on a weekly basis despite the latter depreciating.

## WEEKLY RUPEE VIEW

The greenback has been under pressure over the last week because of an increase in unemployment rate, widening trade deficit and the resumption in the fall of the US Treasury yields.

The recent data shows that the unemployment rate in the US inched up to 4.1 per cent in February versus 4 per



cent in the preceding month and the trade deficit widened to \$131.4 billion in January (it stood at \$98.1 billion in December). The US 10-year yield has fallen from a high of 4.34 per cent last week to the current 4.23 per cent. Despite these factors weighing on the dollar (the dollar index declined about 2.5 per cent over the past week), the rupee was flat.

The uncertainties with re-

spect to the tariffs and capital outflows have been impacting the domestic currency. According to NSDL (National Securities Depository Ltd) data, the net FPI outflows over the past week is about \$1.1 billion. Also, a fall in Chinese yuan and the expectations of a rate cut by the RBI in April too does not bode well for the Indian unit.

The rupee remaining below 87 is a bearish signal. However, the chart of the dollar index hints at further depreciation in the greenback. From the current level of 103.50, the dollar index might decline to 102.40. The downswing might extend to 101. Such a fall in the dollar index can lift the rupee from

the current level of 87.22 to 86.80, a potential resistance. If this level is breached, the local currency can appreciate to 86.50. A breakout of 86.50 can lead to an upswing to 86.

As long as the dollar index stays below 106.50, the rupee will have an advantage. But the upside can be capped as there are resistance levels ahead. Aforementioned are the key levels one should watch out for.

## OUTLOOK

The weakness in the dollar is a tailwind for the rupee, at least in the short run. Given the prevailing conditions, there is a possibility for the Indian unit to appreciate to 86.80-87 region over the next week.

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