

Flat trend likely to continue for the rupee

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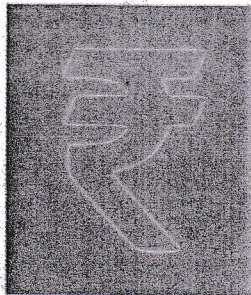
The rupee gained one-fifth of a per cent on Tuesday and ended at 85.82 against the dollar. Thus, the local currency recouped the losses it made in the recent sessions, which were largely due to a recovery in the greenback.

WEEKLY RUPEE REVIEW.

The recent surge in the dollar began after the jobs data was released in the first week of this month. Subsequently, the series of tariff threats from the US President Donald Trump is also aiding the dollar in gaining on the back of risk aversion in the market.

Not just the dollar, this also helped push the treasury yields up, a positive for the dollar.

The 10-year US Treasury yield is currently at 4.42 per cent compared with 4.20 per



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cent at the beginning of this month.

But the downside in the rupee was arrested following the release of domestic inflation data.

India's Consumer Price Index (CPI) index for June stood at a lower 2.1 per cent compared to 2.82 per cent in the preceding month. Also, the Wholesale Price Index (WPI) inflation for June was down 0.13 per cent versus the expected increase of 0.39 per cent in the previous month.

That said, the chart shows

Last week, the rupee fell off a trendline resistance at 85.35, where the 50 per cent Fibonacci retracement of the previous uptrend coincides

some uncertainty with respect to the trend.

TECHNICAL CHART

Last week, the rupee fell off a trendline resistance at 85.35, where the 50 per cent Fibonacci retracement of the previous uptrend coincides. While the domestic unit made a low of 86.05 on Monday, it has now recovered to 85.82.

Thus, the range of 85.25-86.00 remains valid. The broader range is 85.00-86.10. So, until either of the boundaries of the broader range is

breached, the path of the next trend will remain uncertain.

The nearest support below 86.10 is at 86.60, and the immediate resistance above 85 is at 84.60.

The dollar index, which marked a low of 96.38 on July 1, has now appreciated to 98. While the up move is too early to call it a bullish reversal, the prevailing price action hints that the dollar might have some more room to the upside.

The nearest key barrier is at 99.50 and 100. If the dollar index decisively breaks out of 100, the near-term outlook can turn positive. In such a case, the rupee might slip below the support at 86.10. However, if the dollar index resumes its fall, the rupee could rise to 85.55 and 85.25.

CURRENCY OUTLOOK

As it stands, the near-term outlook for the rupee is likely to be range-bound between 85.25 and 86.