

# Strong dollar could keep rupee in check

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The US debt ceiling stalemate is keeping the currency market sentiment on the risk-off side. This is leading to the dollar performing well against other currencies. Consequently, the rupee depreciated against the greenback over the last week, in line with our expectations.

## WEEKLY RUPEE VIEW.

Nevertheless, lower crude oil prices and strong foreign flows cushioned the downside for the local unit. The Brent crude oil struggles to surpass \$78 a barrel and the domestic market received considerable capital inflows. According to National Securities Depository Limited, the net foreign portfolio investors' inflows over the past week stood at about \$1.4 billion. So far this month, the net FPI inflows stand at a little over \$3 billion. But the fund flows in May were largely directed towards the equity segment. In

fact, for this month, the debt segment has seen a minor net outflow of \$175 million.

The rupee declined in the past few sessions. However, the support at 82.30 is providing some relief, at least temporarily. On the back of this support, rupee gained 0.1 per cent on Tuesday and ended at 82.2150. From the current level, there is a resistance at 82.

If the rupee slips below 82.30, it could weaken to 82.70 or even to 83 in the near-term. However, if it breaches 82, it can retest the key barrier at 81.60.

## OUTLOOK

While the support at 82.30 is helping the rupee to stay afloat, the upside appears to be limited because of the strength in dollar. So, chances are high for the rupee to stay flat i.e., between 82 and 82.30 this week.

But since the dollar shows some bullish inclination, we cannot completely reject the chance of rupee slipping below 82.30 and touching 82.70. Hence, 82.30 is the key level to watch out for in the short-term.