

Rupee to recover this week

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The rupee began Tuesday's session with a gap-down at 81.79 versus Monday's closing level of 81.62. There was no further depreciation as the local currency settled at 81.7650 for the day.

WEEKLY RUPEE VIEW.

For the past three sessions, the rupee has been on a decline. While the dollar remained flat, the weakness can largely be attributed to a rally in crude oil price, which is inversely proportional to the Indian currency. The Brent futures were trading around \$85 a barrel, gaining a little over 6 per cent over the past week.

In addition to this, the foreign flows had their fair

share of impact on the rupee. The National Securities Depository Limited (NSDL) data shows that foreign portfolio investors (FPIs) have net sold about \$1.1 billion over the past week, weighing on the local unit.

Here's an analysis based on the chart.

CHART

The rupee rose and marked a high of 81.2350 on Monday. However, it lost momentum thereafter and has moderated to the current level of 81.7650. That said, the chart shows that the domestic currency has a support at 81.85 immediately and below that at 82.

Until these levels stay true, the bias will be bullish for the rupee in the short term. On the back of these levels, it could rally back to the price region of 81-81.1 in a week. However, if the sup-

port at 82 is invalidated, the rupee might decline further to 82.50 over the next week.

The dollar index appears bearish after breaking below the support at 103.5 last week. Currently trading at 102.3, the nearest support is at 101.4. Subsequent support is at 100. Only a clear breach of the resistance at 105 can turn the short-term outlook positive for the greenback.

OUTLOOK

Although foreign money outflows might weigh on the rupee, the crude oil prices seem to have limited upside potential. Therefore, the rupee might see some relief. Besides, the chart shows that it is trading near a support band. Therefore, we expect a recovery over the next week, possibly appreciating to 81/81.1 versus the dollar.