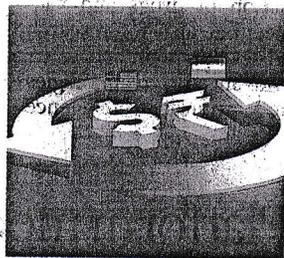


Rupee stabilises as dollar lacks momentum

Akhil Nallamuthu

bl. research bureau

The rupee remained largely steady last week and closed at 90.68 on Tuesday. The domestic currency traded within a narrow range as opposing factors kept it anchored.



WEEKLY RUPEE VIEW.

On the negative side, macro data turned less supportive. India's trade deficit widened sharply to \$34.68 billion in January, compared with \$23 billion in the same month last year, pointing to increased dollar demand.

Wholesale price inflation (WPI) also hardened to 1.81 per cent in January from 0.83 per cent in the previous month, adding to concerns

for the local currency. Both these factors are typically unfavourable for the rupee.

However, foreign flows provided a counterbalance. According to NSDL data, net FPI inflows stood at \$881 million over the past week, lending support to the local currency and limiting downside.

On the global front, the dollar remained broadly flat. US inflation eased to 2.4 per cent in January, the lowest since May 2025, strengthen-

ing expectations that the Federal Reserve may have room to cut rates. Such expectations tend to weigh on the dollar, indirectly offering support to emerging market currencies, including the rupee. Overall, despite domestic headwinds, positive flows and a softer dollar bias kept the rupee stable.

CHART

Since early last week, the rupee has been moving across a narrow range between 90.45 and 90.80. The broader range, which has been valid since the beginning of the month, is 90.20-90.80. The prevailing price action shows no bias in either direction and so, the likelihood of the rupee staying flat in the forthcoming sessions is high.

In case the support at 90.80 is breached, the domestic currency can drop

further to 91.25. But if it appreciates and breaks out of the barrier at 90.20, the rupee can rise further to 89.80.

If the dollar index also stays flat, it increases the probability for the rupee-dollar exchange rate to stay stable. The index has been trading between the support at 96.60 and the resistance at 97.30. If the barrier at 97.30 is breached, the dollar index can extend the upswing to 98, which can impact the rupee negatively. But if the dollar index slips below 96.60, it can drop to 96. Such a decline can help the rupee in advancing.

OUTLOOK

Overall, with the dollar lacking clear momentum, the rupee may continue to consolidate. In the near term, it is expected to move within the 90.20-90.80 band.