

Fed's verdict key for rupee exchange rate

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The rupee appreciated 0.16 per cent against the dollar on Tuesday and ended at 83.76. The domestic currency has moved up over the past week, mainly triggered by a fall in the greenback.

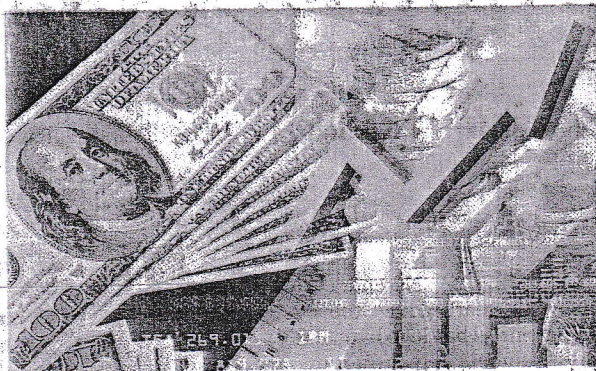
WEEKLY RUPEE VIEW.

The dollar has been declining as the case for a 25-basis points rate cut by the Fed has been weighed by participants. All eyes are on the Fed, which is set to announce its policy on Wednesday.

Moreover, other factors such as foreign inflows and low crude oil prices, too, have been supporting the Indian currency.

The net FPI (foreign portfolio investors) inflows so far in September stand at \$6.3 billion, according to NSDL (National Securities Depository Ltd) data.

The price of Brent crude has fallen by nearly 15 per cent over the past two months. India being an import heavy nation, a drop in crude oil prices is positive for the currency.



THE RANGE. The rupee has now moved past the barrier at 83.80. The probability for it to extend the upswing to 83.60 is high

The charts, too, show positive signs for the rupee. Below is an analysis.

CHART

The rupee has now moved past the barrier at 83.80. So, the probability for it to extend the upswing to 83.60 is high.

A break-out of this level can lift the contract to 83.30.

But if rupee loses momentum and heads back southwards, it can find support at 83.80 and 84. The latter has been holding well since August.

But a breach of this can lead to the rupee establishing a fresh leg of downtrend. Potential support below 84 can be seen at 84.50.

The dollar index (DXY),

which saw a rebound towards the end of last month, could not surpass the barrier at 101.80.

Over the past week, DXY has fallen off this resistance, and is now hovering around 100.60.

The nearest support is 100.50. If this level is breached, DXY can decline to 99.80, a strong support. Subsequent support is at 98.

OUTLOOK

At the moment, the rupee has an upper hand over the dollar.

However, participants should closely watch the outcome of the Fed meeting, which can have a significant impact on the dollar rupee exchange rate.