

Rupee may consolidate this week

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The rupee ended marginally lower against the dollar on Tuesday, at 82.04 versus Monday's close of 81.97. But from a weekly perspective, it has gained from the levels of 82.33 a week ago.

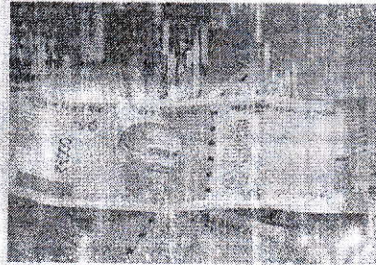
WEEKLY RUPEE VIEW.

The upside was supported by positive foreign flows. According to the latest NSDL (National Securities Depository Ltd), the net FPI (foreign portfolio investor) inflows over the past week were \$751 million.

Also, for the month, the net flows are positive; so far in April, the net FPI inflows are at nearly \$1.1 billion.

Crude oil prices, which saw a rally since mid-March, have lost momentum and are largely sideways over the past week.

On the other hand, the foreign exchange reserves



have seen an increase of late. According to the RBI data, the forex reserves went up to \$584.8 billion on April 7, compared with \$560 billion on March 10.

This hints that some amount of dollars are used by the central bank to mop up the reserves.

While fundamentally, the factors have been favourable for the Indian currency, the charts show that it is now stuck at key levels and there is no clear trend in sight.

CHART

The rupee faced resistance at 81.60 last Friday and declined off that level. That said, from the current level of 82.04, it also has considerable support at 82.15. Therefore, there is a chance that the domestic currency

might consolidate in the 81.60-82.15 range this week. The nearest support below 82.15 is at 82.50, whereas the nearest resistance above 81.60 is at 81.10.

The dollar index bounced off the support at 100.80 towards the end of last week. However, currently trading at 101.70, it faces considerable resistance at 103. A breach of this can lift it towards 105, which can weigh on the INR.

But if the index resumes the downswing and slips below the support at 100.80, the sell-off can intensify. In this case, the dollar index might fall below the 100-mark and could depreciate to 99.25 quickly.

OUTLOOK

Even if the foreign inflows continue, the rupee may not rally much if those dollars find its ways to the forex reserves.

Besides, technically, there are indications of a consolidation. Broadly, we can expect the rupee to remain in the 81.60-82.15 range this week.