

WEEKLY RUPEE VIEW.

Rupee exhibits some upward bias

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The rupee (INR) was largely stable against the dollar (USD) over the past week, contrary to our expectation that the currency pair USD/INR would witness heightened volatility on the back of data releases. On Tuesday, INR ended flat at 82.36.

The dollar index (DXY) has moderated a bit, showing improvement in investors' risk appetite. The falling crude oil price relieves the pressure on the Indian currency as it is inversely proportional to the energy commodity because of



high import-dependence. If the risk-on sentiment prevails, we might see good foreign inflows, now negative for the month. As per the NSDL data, the net outflows in October stand at \$1.2 billion. Markets embracing more risk means the dollar might also soften, leading to upward pressure on the rupee. Chart

shows that the rupee has now stabilised between 82 and 82.50.

CHART

After getting out of the range of 81.30-82, the rupee seems to have formed another one between 82 and 82.50. A breach of these levels will lend some clue on the direction of INR in the next leg of the trend. DXY, currently trading at 112, has formed a lower low in the daily chart. Though not an indication of a bearish reversal, it signifies a loss in bullish momentum. DXY has trendline support, which it could meet around 111.50. A break below this level can

make the near-term outlook weak; the dollar index could weaken to 110.

We can expect INR to rally past '82 and possibly touch 81.75 and 81.30, notable resistance levels. But if it invalidates the support at 82.50, it could see a swift fall to 83. Potential support below 83 is at 83.50.

OUTLOOK

Technically, the rupee is moving in a range, and we can observe some weakness in the price action of the dollar index. In the coming week, INR might trade with an upward bias where it could touch 81.75.