

Fundamentals favour the rupee



WHAT LIES AHEAD. The rupee should clearly breach the barrier at 83 in order to establish a sustainable rally

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The rupee gained versus the dollar over the past week. On Tuesday, it ended at 83.18, compared with last Tuesday's close of 83.3875.

The rupee gained as the dol-

WEEKLY RUPEE VIEW.

lar dropped post the Fed meeting. While the Fed kept the rates unchanged as expected, the projections showed that there could be three rate cuts next year. This cheered the markets, bringing back the risk-on sentiment.

On the other hand, substantial foreign inflows kept the rupee demand strong. According to the NSDL (National Securities Depository Ltd) data, the net FPI (foreign portfolio investors) inflows stood at about \$3.9 billion over the past week.

CHART

Going ahead, the path looks favourable for the local currency. Here's what the charts say:

On Monday, the rupee made a high of 82.91 before giving up some of its gains. Since it has

dropped back below 83, the range of 83-83.45 stands intact.

That said, the factors seem favourable for the rupee, and the dips could see some buying. From the current level, there are supports at 83.30 and 83.50 as well.

Nevertheless, the rupee should clearly breach the barrier at 83 in order to establish a sustainable rally. If such a breakout occurs, the rupee might rally to 82.65 or 82.50 in the near term.

Supporting the rupee, the dollar index (DXY) closed below the support level at 103 last week. Thus, on the daily chart, DXY has formed a lower low and shows potential for further falls. The immediate support from the current level is at 101. Subsequent support is at 100. The nearest resistance levels can be spotted at 103 and 104.30.

OUTLOOK

As it stands, the chart shows that the range is intact for the rupee. But the fundamental factors are now favourable for the Indian currency.

So, we are likely to see the rupee slowly moving above 83 in the near term.