

# Rupee under pressure as outflows persist

**Akhil Nallamuthu**  
bl.research bureau

The rupee, which appeared to have steadied early this month, has been falling against the dollar in the recent sessions. By losing nearly 1 per cent over the last week, the local currency, now at 90.98, is close to a record low of 91.08, which it made in December.

## WEEKLY RUPEE VIEW.

The uncertainty with respect to the India-US trade deal and the geopolitical issues relating to Greenland have been weighing on the rupee. That said, the biggest factor has been capital out-



flows. This is why the local currency has not been able to hold its ground even as the dollar stays weak.

As per National Securities Depository Limited (NSDL) data, the net foreign portfolio investors (FPI) outflows over the past week have been at \$1.6 billion, including equity and debt segments. So far in January, it stood at \$2.8 billion. On the technical front too, the rupee retains

the bearish inclination as per the charts. Below is an analysis. Last Friday, the rupee decisively breached the support at 90.30 and slipped. The price action shows a steady downtrend and so further decline cannot be rejected.

As a temporary relief, the fall in the dollar index could provide some support. The dollar index, after facing resistance at 99.50, has seen a quick fall over the past two trading sessions. It is now trading at 98.70, a potential support.

So, the next movement in the rupee might depend on how the dollar index reacts to the support at 98.70. If this support is breached, it could extend the decline to 98. In this scenario, the ru-

pee could gain some ground, potentially seeing an uptick to the 90.30-90.50 region.

However, a gain beyond these levels might not happen unless there are notable positive developments which could boost the risk-on sentiment in the market.

That said, if the dollar index bounces off the support at 98.70, it could rise back to at least retest the resistance at 99.50, if not surpass it. In this case, the rupee could hit fresh lows, possibly dropping to 91.50 and 91.75.

## OUTLOOK

Overall, due to the dollar weakness, the rupee might move up a little to 90.70 or 90.50. But then, it is expected to eventually fall to 91.50 in the near term.