

# Rupee set to advance

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The rupee appreciated marginally over the past week and closed at 85.64 on Tuesday versus the dollar. It saw some decline over the past week, reportedly due to the RBI's open market operations. Nevertheless, the downside was limited due to the weakness in the greenback.

## WEEKLY RUPEE VIEW.

The dollar started depreciating after Moody's downgraded US credit rating. This led to a spike in the treasury yields. Notably, the yield on 30-year government bonds hit a high of 5.04 per cent on Monday, the highest level since November 2023.

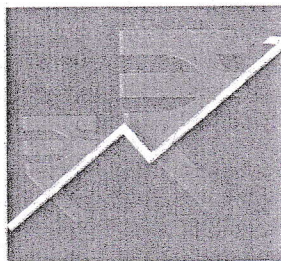
Investors appear concerned about the fiscal discipline of the US, which can be seen from the divergence between US yields and the dollar. While this weighed on the dollar and aided the rupee, the foreign flows, too, helped the Indian currency, particularly in the last two sessions.

According to NSDL (National Securities Depository Ltd) data, the net FPI (foreign portfolio investors) inflows in the last two days stood at nearly \$1.4 billion. So far in May, the net inflows have been \$2.2 billion.

The charts also give the Indian currency a positive outlook.

### WHAT THE CHARTS SAY

The downtrend in the rupee was stopped by the support



In the event of the dollar index slipping below the base at 98, the rupee might rise to 84.

at 85.75. At this level, a trendline coincides, making it a considerable base. A decline below this level is unlikely to occur. Also, now that the dollar index has resumed the decline, the rupee is in a good position to make an advance.

From the current level of 100.20, the dollar index looks set to drop to 99 and then 98. Such a down move can trigger a rise in the rupee.

From the current level of 85.64, the local currency can appreciate to 85 over the next week. A rally past 85 can lift the rupee to 84.65.

In the event of the dollar index slipping below the base at 98, the rupee might even rise to 84.

Broadly, the rupee is trading near a support, and the dollar index has started to fall again, leaving more room for the rupee bulls to operate.

### RUPEE OUTLOOK

On the back of the base at 85.75, we anticipate the rupee appreciating to 85 in the near term.

A rise above this can lift it further to 84.65 over the next two-three weeks.