

Rupee may drop before a rally

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The rupee, on Tuesday, lost one-fifth of a per cent to close at 82.12 versus the dollar. But on a weekly basis, it has appreciated, as it closed at 82.38 last Tuesday.

WEEKLY RUPEE VIEW.

Supporting the Indian currency has been good foreign inflows. As per the NSDL data on FPI, the domestic market has received net inflows of nearly \$900 million over the past week. So far in June, the net inflows have been \$2.4 billion. But a rise in crude oil prices in the last week has been a drag on the local currency.

CHART

However, the charts are showing signs of a bounce in the dollar, at least temporarily.



The rupee has fallen off the resistance level at 82. Note that a trendline hurdle is placed at around 81.90, and thus, the price band of 81.90-82 is a resistance band. If the decline extends from the current level, we might see the rupee inching down to 82.25 this week. A breach of this level can drag the rupee to 82.50.

On the other hand, if rupee regains traction from the current level of 82.12 or after falling to 82.25, it is likely to surpass the barrier at 81.90. Such a move can establish a new leg of an uptrend, which can lift the rupee to 81.50 or even to 81.30.

The dollar index (DXY),

now trading at 102.40, is below the 50-day moving average. There is a bearish bias, and we might see the index falling towards a key support at 101 in the near term. If the down move begins from the current level, it can help the rupee gain ground, potentially leading to the break out of 81.90.

For DXY, support below 101 is at 100 and 99.30.

OUTLOOK

The next move of the rupee depends on how DXY behaves going ahead. If DXY sees a recovery, we might see the rupee moving down to 82.25. But after this move, we are likely to see a rally in the rupee.

On the other hand, if DXY resumes the decline from here, the rupee can rally past 81.90 and move towards 81.50 quickly.