

# Rupee's downward slide could continue

**Akhil Nallamuthu**  
BL Research Bureau

The rupee has been very volatile over the last one week. It marked a fresh low of 86.69 versus the dollar last week. On Tuesday, after opening with a wide gap-up, the domestic currency failed to sustain higher and fell giving back all the gains and closed at 86.58.

## WEEKLY RUPEE VIEW.

The capital flight continues to happen, putting pressure on the Indian currency. As per NSDL (National Securities Depository Limited) data, the net FPI (Foreign Portfolio Investors) outflows over the past week stood at about \$3.4 billion. The same for January so far is at \$6.7 billion.

As the equity market re-



mains under pressure, further selling by the foreign investors is likely, which can weigh on the rupee in the coming days too. Also, the recent decline in the dollar only appears to be temporary.

The only solace is that the prices of crude oil have been moderating in recent days - Brent crude oil has corrected over 4 per cent in the last few sessions from its high around \$82.45 per barrel. It is currently trading at \$78.65. Further drop in the

The rupee has been struggling to sustain the recovery in recent sessions after hitting a record low of 86.69 in the last week

energy price can be positive for the local currency. However, it might not be enough to fully cancel out the negative impact of strengthening dollar and FPI selling.

On the charts, the broader picture continues to remain weak. Below is an analysis.

### CHART

The rupee has been struggling to sustain the recovery in the recent sessions after hitting a record low of 86.69 in the last week. It has considerable resistances at

86.20 and 86. Therefore, it is very likely that the recovery can be capped at any of these levels. Supporting this, the dollar index (DXY) has now rebounded from its support at 107.80. Thus, the dollar bulls have not gone away and we can expect a rise from here. The nearest resistance for DXY from the current level is 109.50 and 110.20.

In case the dollar index appreciates to the above-mentioned levels, the Indian currency can fall to 86.70-86.80. A breakout of 110.20 by DXY can trigger a downswing in rupee to 87 and then possibly to 87.20.

### OUTLOOK

At this juncture, considering that the dollar is showing signs of an up move, at least in the coming days, we anticipate the rupee falling to the 86.70-86.80 price band. The downward move could extend to 87.