

Rupee might see a recovery

WEEKLY RUPEE VIEW.

Akhil Nallamuthu
bl. research bureau

The rupee gained 0.2 per cent on Tuesday to end at 81.67 against the dollar. While it has depreciated over the past week, there are chances for the Indian currency to regain the positive momentum.

The foreign flows in November have been good — the net foreign portfolio investors' inflows so far this month stand at \$3.2 billion, according to the latest NSDL (National Securities Depository Ltd) data. Interestingly, barring one, the FPIs have been net buyers every session this month.

Apart from this, the demand concerns have weighed on the crude oil prices, as they continue to trade below some key levels. This is good for the rupee be-



cause of its inverse relationship. Also, the dollar has lost momentum and remained weak, especially since the start of this month.

While the fundamental factors are in favour of the local currency, the charts also hint at the possibility of a recovery despite a decline over the past week.

WHAT THE CHART SAYS

Although the rupee depreciated after reaching 80.50 last week from the current level of 81.67, it has strong support at 81.80 and 82. So, it is expected to recover from the

current level itself or after making a minor decline to 82. On the upside, the domestic unit has the potential to retest 80.50 in the short run. It could even extend the rally to 80.

The dollar index (DXY) rallied in the past few sessions. However, currently trading at 107.30, it stays below the resistance at 108.30. So long as it remains below 108.30, the bias will be bearish. It could drop to 105 in the near term. Such a decline will help the rupee gain more ground against the greenback.

POSITIVE OUTLOOK

Decent foreign inflows and lower crude oil prices are expected to help the rupee appreciate against the dollar. The charts also show that the rupee has a couple of good supports. Therefore, we forecast the rupee to rally from here, probably to 81.30 in a week and then to 80.50 in two to three weeks.