

Risks evenly balanced for rupee

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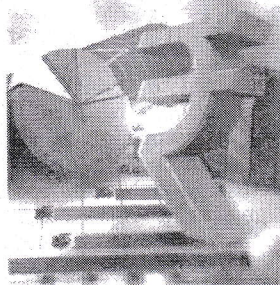
The rupee appreciated against the dollar over the past week as it ended at 83.34 on Tuesday compared with 83.54, a week ago. The local currency inched up despite a considerable foreign money outflow and the dollar staying steady.

WEEKLY RUPEE VIEW.

According to the NSDL (National Securities Depository Limited) data, the net FPI (Foreign Portfolio Investors) outflows over the past week stood at \$2.1 billion as the domestic equities remained volatile.

The rupee is likely to have received support from possible intervention by the RBI as per some participants. A drop in oil price last week, too, is a positive for the Indian currency because of its inverse relationship with the energy commodity.

However, the rupee is hovering near the life-time



Rupee forms a new range, which could stay valid for some time

low and given the geopolitical uncertainties, there exists a downside risk.

CHART

The rupee seems to be shifting the trading range lower. It was oscillating between 82.80 and 83.50 between September 2023 and March 2024. But over the past month, the chart shows that rupee has been moving within the 83.25-83.60 range. This could stay valid for some time.

So, a break of the above-mentioned range will lend us clues about the next leg of trend. A breakout of

83.25 can lift the local currency to 83 and then to 82.80. On the other hand, a breach of the support at 83.60 can drag rupee to 84. Support below 84 is at 84.50.

The dollar index (DXY), although trading in a range, manages to stay above a support at 105.70. Currently hovering around 106, it is likely to extend the bounce to 107.

Note that the price region between 107 and 107.30 is a resistance band. If DXY moves up towards this barrier, then rupee might make fresh lows.

OUTLOOK

The rupee is charting a sideways range as of now. However, given the strength in dollar and the geopolitical risks, rupee might face downward pressure. But with strong domestic fundamentals and huge forex reserves, the rupee might be able to withstand it, at least to some extent.

Essentially, expect rupee to move slowly towards 83.50/60 in the coming sessions.