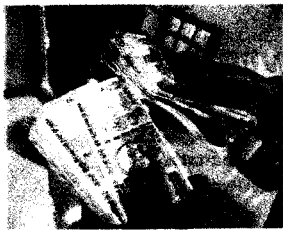


H-1B visa fee hike, high tariffs will continue to weigh on the rupee

Akhil Nallamuthu
bl research bureau

The rupee hit an all-time low of 88.80 against the dollar on Tuesday before ending the session at 88.75. Despite the clarification that the H-1B visa fee is only a one-time charge for new applicants, it continued to weigh on the local currency.



WEEKLY RUPEE VIEW.

The one-time \$1,00,000 levy on new H-1B applications can slow deployments for US clients. Not just that, dollar remittances to India, too, might be impacted. This, along with the 50 per cent tariffs on Indian goods to the US, is having a compounded effect on the Indian currency.

Even the GST reforms, which came into effect on Monday, failed to lift the spirits of the investors. The equity market has also been facing pressure lately. Further moderation in prices can trigger considerable foreign outflows which can weigh on the rupee.

We are likely to see more fall as some experts believe the RBI will be fine with an orderly weakening of the rupee, especially given that domestic inflation is low, and could come up with minor interventions to arrest the volatility. That said, the comforting factor is the substantial \$703 billion in foreign exchange reserves that the RBI holds.

On the technical front, the chart indicates a strong downtrend, and any rally in the rupee might be short-lived. Here's an analysis.

CHART

The rupee crashed through the support at 88.35 to tumble to a record low of

88.80 on Tuesday before closing at 88.75. The local currency has support at 88.80, which is holding for now. However, if there is an uptick on the back of this, it will largely be capped at 88.35 or 88.20. Only a decisive breakout of the resistance at 88 can turn the outlook positive.

An extension of decline, either from the current level or after a rise to the aforementioned levels, the rupee might fall to 89. A breach of this level will open the door for a decline towards 90, potentially creating a support area.

The dollar index, after rebounding from the support at 96, is now facing a barrier at 97.60. This is a strong resistance, and the index may not surpass this level soon. However, it might not trigger a fall as the support at 96 is a strong one.

Overall, in the near term, the dollar index is likely to remain within the 96-97.60 price range. The direction of the break of this band will be the indication of the next leg of the trend.

OUTLOOK

Fundamental factors, such as the hike in the H-1B visa fee and a 50 per cent tariff, can continue to weigh on the rupee. Additionally, the chart indicates a strong downtrend and, at present, there are no signs of a reversal in the trend. Therefore, we can expect the rupee to touch 89 soon. It could even depreciate to 90.