

Rupee likely to maintain the range

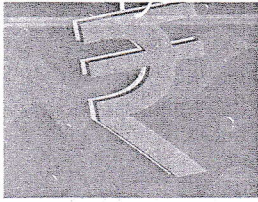
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The rupee is up by 11 paise so far this week against the dollar as it ended at 83.43 on Tuesday. Therefore, the local currency has managed to recoup most of its losses it made in the second half of last week.

WEEKLY RUPEE VIEW.

The decline in the dollar early this week supported the Indian unit. A notable positive development for rupee has been the current account deficit (CAD) number. The latest data shows that CAD, at \$23.3 billion, has narrowed to 0.7 per cent of GDP in FY24 compared with \$67 billion in the previous fiscal.

Another factor supporting the rupee is the capital inflows. According to National Securities Depository Ltd data, the net foreign portfolio investors flows over the past week is \$2.9 billion. The net in-



flows in June so far stands at \$3.5 billion. Thus, rupee remained flat despite the dollar index gaining 1.5 per cent over the past three weeks. As per the chart, the rupee manages to keep the range of 83-83.60 valid.

CHART

The rupee, by closing at 83.43 on Tuesday, continues to trade within the 83-83.60 range. The broader price band has been 82.80-83.70. Therefore, it can establish a trend only when it moves out of this wider range. If the domestic currency surpasses the resistance at 82.80, it can appreciate to 82.50 and then to 82. On the other hand, a decline below 83.70 can open the door for a fall beyond 84,

potentially to 84.20-84.30 range.

The dollar index (DXY) can play a major role in deciding the path of rupee. DXY, currently trading at 105.50, has been on the rise over the last three weeks. Yet, it faces a resistance at 106.50. But a breakout of this can lead to a sharp rally, which can negatively impact the rupee. On the other hand, if DXY falls, it has a support at 104. But a breach of this can result in a deeper fall, probably to 102.70 or even to 101. In this scenario, rupee can be expected to appreciate to 82 or beyond.

OUTLOOK

There are fundamental factors that are in favour of the rupee now. The Fed keeping the rates higher for longer is dollar positive. Overall, the forces on both sides can largely be expected to balance out, which means, rupee does not have the conditions yet to get out of the range within which it has been trading for quite some time.