

Rupee may move above 81.60

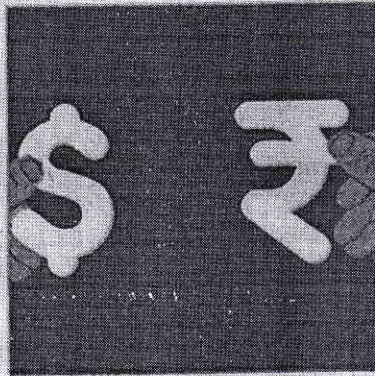
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The rupee ended flat at 81.8725 on Tuesday versus the dollar. While the currency was flat in almost all sessions over the past week, a sharp gain on Monday has resulted in the INR appreciating 0.2 per cent against the dollar compared to 82.05 last Tuesday.

WEEKLY RUPEE VIEW.

The upward thrust was largely due to the commendable foreign inflows. According to NSDL data, net FPI inflows over the last week stood at nearly \$1.5 billion. FPIs have pumped in a net \$5.3 billion so far in July.

That said, the Fed is set to announce its monetary policy decision on Wednesday. The policy decision can supersede other factors in influencing the exchange



rate of USD-INR. While the wide expectation is for a quarter per cent raise, any clue on the future path is the key.

Technically, the rupee remains bullish. Below is an analysis of charts.

CHART

A decisive close above 82 on Monday is positive for the Indian currency. Besides, the rupee has breached a trendline resistance, opening the door for further upside. As it stands, the chances of a rally are high.

While the nearest resistance is 81.60, the rupee might move above this level,

possibly to 81 in the near-term.

On the other hand, if the rupee sees a daily close below 82, it could decline back to 82.20 or even to 82.50.

The dollar index (DXY), after closing below the key support of 101 a fortnight ago, made a low of 99.58 and has now recovered to 101.40. It faces a strong resistance in the 102-102.40 price band. A rally beyond these levels is less likely.

We expect the index to resume the fall from the current level of 101.40 or after a rally to the 102-102.40 range.

OUTLOOK

The rupee is well placed to gain more ground against the dollar. However, the FOMC statement that will be out on Wednesday can have a considerable impact on USD-INR, at least in the short-term.

So, traders, should be watchful of the potentially high volatility environment this week.