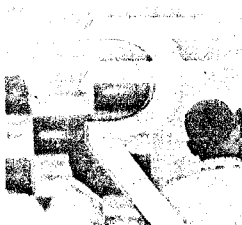


Rupee falls 10 paise; range-bound play ahead

Akhil Nallamuthu
bl. Research Bureau

The rupee lost 10 paise against the dollar on Tuesday and ended at 87.69. Even as the greenback has largely been flat, the Indian unit has been under pressure. The temporary drop in the dollar following Jerome Powell's dovish tone in his Jackson Hole speech on Friday did not help the rupee either.



pee too. Another factor is the capital outflows.

So far this month, the net FPI (Foreign Portfolio Investor) outflows have been \$900 million as per NSDL data. Now that the domestic equity market has started to face downward pressure again, this can result in further FPI outflows, weighing on the rupee more.

CHART

The rupee fell off the resistance at 87 on Thursday. It dropped in the subsequent sessions too and is now at 87.69. The price action is clearly bearish. But there is support ahead at 87.80. If

this base is breached, the local currency can depreciate further to 88 and 88.25.

On the other hand, if the rupee recovers, it will again face resistance at 87. Only a breach of this can turn the near-term outlook positive. Notable barriers above 87 are at 86.80 and 86.60.

Since the resistance at 87 and the support at 87.80 appear significant, there is also a possibility that the rupee might consolidate within these two levels, particularly considering that the dollar has been range-bound of late.

The dollar index has been oscillating between 97.60 and 99 since early August. A breakout of 99 can lift the index to 99.50 or even to 101.15. Only a decisive breach of the latter can result in bullish trend reversal.

In case the dollar index slips below the support at 97.60, it can fall further to 96.40, a crucial support. A breach of this can intensify the sell-off.

OUTLOOK

Overall, the dollar has been consolidating and the rupee, although facing a downward pressure, has a support ahead. At the same time, there is a barrier too. So, there is a good chance for the rupee to stay within the 87-87.80 price band in the short term.

WEEKLY RUPEE VIEW.

Tariffs kicking in on August 27 have been a drag on the local currency recently. Apart from this, the concerns of recent cuts in the Goods and Services Tax (GST), possibly resulting in fiscal slippage, resulted in the 10-year Indian government bond yield moving up.

It has now increased to 6.61 per cent compared to 6.4 per cent on August 14. This has weighed on the ru-