

Rupee faces headwinds as dollar gains strength

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In the second half of last week, the rupee appreciated against the dollar. However, after marking a high of 82.83, the Indian currency depreciated and it ended at 83.23 on Tuesday.



WEEKLY RUPEE VIEW.

Therefore, there has not been much change over the past week and on a weekly basis. The rupee has remained flat against the dollar. However, we had expected the rupee to strengthen against the dollar.

Particularly, the local unit has been under selling pressure since last Friday which is largely due to the appreciation in the dollar following the upward revision of the

projected rates for 2024 and 2025. The revision means that the Fed will keep the rates higher for longer than expected. Consequently, the US treasury yields hardened which also lifted the greenback.

Moreover, the capital flight also weighed on the local currency.

The above factors also indicate that the rupee could face downward pressure in the coming days as well.

The rupee is currently testing the support at 83.30.

A clear breach of this can open the door for a decline to 83.80 or even to 84 in the short run.

On the other hand, if there is a recovery, rupee should decisively breach the barrier at 82.85 to increase the chances of becoming bullish in which case it could move up to 82.30. The dollar index broke out of the resistance band of 105.50-105.70 on Monday.

Currently hovering around 106, it might extend the upswing to 107 or to 108 in the near-term. If such a move happens, the rupee can fall to 84.

OUTLOOK

Broadly, the rupee appears weak and it could remain so in the short-term. If the dollar strength translates to further up move, it can drag the Indian currency lower. There is a potential for the rupee to touch 83.80 in the near-term.