

Rupee retains its range

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The rupee has been oscillating up and down in a sideways range over the last three weeks. The domestic currency has been range-bound between 83.75 and 84. Within this range, it closed at 83.92 on Tuesday.

Surprisingly, the recent sharp fall in the dollar index has not aided the rupee to gain strength. The dollar index declined over 2 per cent in the last three weeks. But the rupee has remained well within the 83.75-84 range during this time.

WEEKLY RUPEE

VIEW.

The dollar index has been beaten down badly since the middle of this month after the US inflation data release. The fall accelerated towards the end of last week following the US Fed Chairman Jerome Powell's speech at the Jackson Hole meeting on Friday. Powell said the time has come for the policy to adjust. Following which the dollar index and the US Treasury yields tumbled on Friday last week.

Powell's statement indicates that a rate cut is coming from the US central bank in its next meeting on September 18. According to the CME Group's FedWatch tool, the

probability of a rate cut next month is 72 per cent.

The dollar index (100.78) is under pressure. However, crucial support for the index is in the 100-99 region. The index can fall into this support zone in a week or two. But the price action thereafter will need a very close watch. A break below 99 will be very bearish. It will then see the dollar index tumbling towards 96 in the coming months. On the other hand, a bounce from the 100-99 support zone will give a breather for the index. An eventual rise above 101 can turn the short-term outlook positive for the index, to see 104-105 on the upside again.

RUPEE OUTLOOK

Rupee has been stuck in between 83.75 and 84 for more than three weeks now. The central bank is continuing to keep the domestic currency in a very tight range which can continue for some time. However, on the charts, the bias is negative. So we can expect the rupee to break below 84 in the coming weeks which can take it down to 84.10. It will also keep the doors open for the domestic currency to weaken gradually towards 84.50 in the coming months.

Rupee will get a breather only if it breaks above 83.75. If that happens, a recovery towards 83.60 and 83.50 can be seen.