

Rupee has room to rise further

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The rupee appreciated 0.2 per cent on Tuesday to end the session at 82.1925 against the dollar. The local currency has been positive of late, largely due to a weak dollar. The Fed's current liquidity injection has weighed on the greenback.

WEEKLY RUPEE VIEW.

Thus, the rupee has been able to gain ground despite the foreign money outflows and an increase in the crude oil prices.

According to National Securities Depository Limited data, the net foreign outflows over the past week stood at \$736 million. Nevertheless, for March, the net flows are at positive \$610 million.

However, one should be cautious since the sentiment is weak on the equity market.



If it stays so, we might see more capital outflows and it can have a negative impact on the domestic currency.

Below is what the charts have to say.

CHART

The rupee, in line with our expectation, rallied and touched 82.16 on Tuesday before ending the session at 82.19 versus the dollar. But the sailing can get tough from here as 82.15 is a barrier. Also, there is a trendline resistance which the rupee can meet in the price band of 82.00 - 82.15. So, going ahead, the Indian currency's positive mo-

mentum is likely to be tested. In case, the rupee breaks the resistance at 82, it can extend the rally to 81.70 and even to 81.20.

On the other hand, if it starts to decline, the supports that can arrest the downside are poised at 82.60 and 82.90.

The dollar index, which rallied towards the end of last week, could not decisively break out of the resistance at 103. It has now fallen to 102.60. The price action hints at further downside, possibly up to 102 and 101. If such a fall occurs, the way towards 81.20 for the rupee can become easier.

OUTLOOK

The dollar weakness continues to lend support for the Indian currency. However, it is now trading near a resistance level. If this is breached, we can expect it to appreciate to 81.70 this week. In a scenario where it is unable to surpass 82, we expect it to stay sideways instead of weakening against the dollar.