

Rupee might trade within an expanded range

Akhil Nallamuthu

bl. research bureau

The rupee (INR) was largely flat against the dollar (USD) over the past week. On Tuesday, too, the domestic unit ended flat at 84.08.

WEEKLY RUPEE REVIEW.

Since early October, the dollar has been on the rise, which has put the rupee under pressure. However, the rally in the greenback looks to have lost some momentum, which can be seen from the consolidation in the dollar index. This has eased some pressure on INR — a recent fall in the crude oil prices has helped the domestic currency as well.

However, the sell-off in the domestic equity market and the capital outflows have been impacting the rupee. As per the NSDL data, the net FPI (foreign portfolio investors) outflows over the past week is about \$1.3 billion. So far this month, the net outflows have been \$11.3 billion.

This week, there are some key US data like PCE price index, the Fed's inflation gauge and jobs numbers slated for release, which can have an effect on the dollar and consequently on the rupee. That said, as some market experts cite, the Reserve Bank of India sold dollars to keep the rupee as stable as possible and this could be the case going ahead as well.

The rupee, for about two weeks, has been charting a

narrow sideways range within 84 and 84.10. Although the recent trend has been bearish, the support at 84.10 is holding well now. In case 84.10 is breached, INR might depreciate to 84.25 — the next potential support.

Below this, 84.50 can help arrest the decline. If rupee recovers from here, it will face a stiff resistance at 84. A breakout of this can take it to 83.90 or 83.80, potential resistance levels.

The dollar index (DXY), which has been appreciating steadily since early October, is now facing a barrier at 104.60. It has been moving around this level over the past few days. If the bulls regain strength, lifting the DXY above 104.60, the upside can extend up to the resistance band of 106.10-106.40. If there is a fall from here, it can find support at 103.30 and 102.50.

CURRENCY OUTLOOK

While the US data can impact the USDINR exchange rate, the chart shows that the trend is flat.

Although the trading range might expand, probably to 83.90-84.25, the broader sideways trend is likely to be true for some more time.