

Rupee-dollar exchange rate could witness higher volatility

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The rupee remained stable over the dollar in the past week. It closed at 83.11 on Tuesday compared to 83.16 last week.

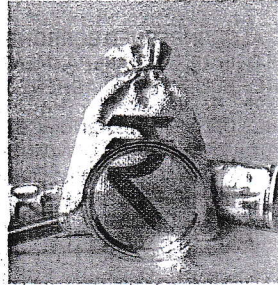
The Indian currency remained flat despite challenges like foreign outflows and rising crude oil prices.

WEEKLY RUPEE VIEW.

According to NSDL (National Securities Depository Limited), the net FPI (Foreign Portfolio Investors) outflow over the past week stood at nearly \$580 million. Besides, the brent crude oil price has gone past \$80-mark.

In spite of certain factors going against it, the rupee stayed steady as the dollar stayed in a consolidation phase ahead of the policy announcement by the Federal Reserve on Wednesday.

While the market does



not expect a rate cut, this time, there is an expectation of some clarity on how the path ahead could be for the interest rate. Besides being an election year, India will announce its interim budget on February 1. These factors could impact the exchange rate of dollar-rupee considerably. Below is an analysis of charts.

CHART

For the past couple of weeks, the rupee has been moving in the tight range of 83-83.20. The broader range is 82.80-83.50. Until the rupee moves out of the broader range, the next leg of trend will remain uncertain.

The above-mentioned events may push dollar-rupee out of the range. If the rupee rallies past 83, it can touch 82.80. A breakout of 82.80 can trigger a rally to 82.50 or even to 82.25.

On the other hand, if rupee slips below 83.20, it will most likely drop to 83.50. A breach of this support can lead to a downswing to 84 in the short-term and to possibly to 85 in the medium-term.

The Dollar Index (DXY) is trading in the narrow range of 103-103.80 over the past two weeks. The Fed announcement can trigger a move in DXY. A break above 103.80 can result in a quick short-term rally to 105. But if it falls below 103, it can be dragged to 102 or to 101.

OUTLOOK

The outcome of events like the interim budget and the policy actions of the Fed is likely to impact the dollar-rupee exchange rate. But as it stands, the direction is unclear. So, market participants should stay cautious.