

Supports can limit downside in rupee

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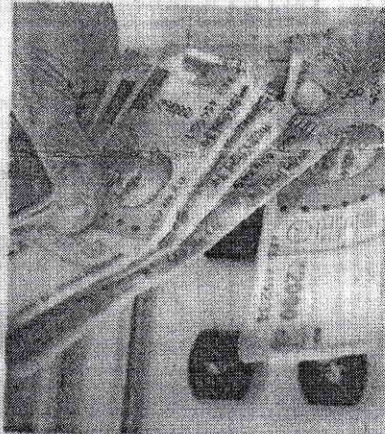
The rupee has managed to recover in the past week in line with our expectations. The corrective rise to 82.60 happened as expected and the rupee rose beyond 82.60 to make a high of 82.51 on Monday. However, on Tuesday, it reversed, giving up gains made during the week. It closed at 82.72 on Tuesday.

WEEKLY RUPEE VIEW.

All eyes will now be on the developments of the US debt ceiling deal, with voting on the deal likely by Wednesday. Any deadlock or delay in passing the deal would cause volatility in the market this week. It would increase the risk aversion in the market which, in turn, would have a positive impact on the dollar. Consequently, this could keep the rupee weak throughout the week.

DOLLAR OUTLOOK

The dollar index (104.10) has been struggling to get a



strong follow-through rise over the last few days. Important supports are at 104 and 103.80. The index has to sustain above 103.80 and get a strong follow-through rise. That will be bullish for the dollar index to target 105 and even 106 in the short term.

If the dollar index breaks below 103.80, a corrective fall to 103.6 initially and then to 103 is a possibility. Broadly, it is a wait-and-watch situation.

SUPPORTING FACTORS

Rally in the Indian equities, strong foreign money inflows and low crude oil prices are the factors that can aid in limiting the rupee

weakness. The Indian markets have seen a net inflow of \$5.12 billion in May. The equity markets are looking strong. The benchmark indices can scale new highs in the coming weeks.

Brent crude oil, priced at \$76 per barrel, has been fluctuating between \$74 and \$79 since the beginning of this month. On the charts, there is a negative bias indicating a potential break below \$74, leading to a decline towards \$70 and even lower levels.

RUPEE OUTLOOK

The Indian rupee has an important support in the 82.80-82.85 region. Resistance is at 82.50 which is holding well for now. If the rupee breaks below 82.85, it can fall to 83.

However, a fall beyond 83 looks less probable now. On the other hand, the domestic currency has to breach 82.50 to strengthen further. A break above 82.50 can take the rupee up to 82.30-82.20 in the near term.

Preference will be to see the rupee in a range of 82.50-82.85 for now. Eventually, we can expect the rupee to break 82.50 and rise to 82.30-82.20.