

## WEEKLY RUPEE VIEW

# Rupee could advance further

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The rupee (INR), after hitting a fresh, all-time low of 80.13 versus the dollar (USD) on Monday, following the US Fed chair Powell's hawkish tone, witnessed a sharp recovery on Tuesday. The domestic currency gained 0.6 per cent to close at 79.46 yesterday. Thus, INR remains the best performing Asian currency over the past week. The risk-on sentiment helped the rupee gain ground against the greenback where other risky assets like equities rallied. But it is too early to say that the INR has turned bullish.

Nevertheless, foreign inflows and steady crude oil prices are factors that are helping the local unit to stay afloat. According to latest NSDL data, the net FPI inflows in August stood at \$7.1 billion. There has been a net inflows of \$1.2 billion in the last one week alone. Apart from this, crude prices, which gained last week,

are struggling to extend the rally. The Brent futures is now hovering around \$100 a barrel after closing at \$102.9 last week. However, the dollar index (DXY) remains steady and so, the rupee bulls need to be cautious. Also, the chart remains bearish for INR.

### Chart

The rupee, which hit a record low of 80.13 on Monday, made a recovery yesterday to close at 79.46. Thus, it has marginally closed above the resistance of 79.50. However, the broader trend remains bearish and there is a strong hurdle at 79.25. If INR breaches this level, we can assume that the short-term trend has turned bullish and that will open up the way for it to appreciate to 78.50 and possibly to 78.

But if bears capitalise on the resistance at 79.25 and drag the rupee, we can witness the next leg of downtrend which can take the

rupee to new lows, probably to 80.25 or even to 80.50. One factor that is a worry for the Indian currency now is that DXY (108.50) has remained steady. Although it is charting a sideways trend (between 108 and 109.25) over the past few sessions, the overall trend remains bullish. If it begins the next leg of the rally, it can weigh on the rupee.

### Outlook

The recovery in the rupee can be short-lived and one needs to be cautious about 79.25, which is a key level given the prevailing conditions. So, the upside can extend to 79.25 but it might be capped at that level. In the coming week, we can expect INR to touch 79.25 and then stay flat for some time. But note that a breakout of 79.25 can turn the near-term stance of INR bullish where it can appreciate to 78.50 quickly.

