Rupee likely to witness a flat trend

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The rupee has been witnessing a very volatile month. In the first half, the domestic unit faced considerable selling pressure against the dollar and marked an all-time low of 91.08 on December 16. While there was some recovery, over the past week, the rupee has slipped about 0.5 per cent as it closed at 89.79 on Tuesday.

WEEKLY RUPEE VIEW.

The major factor is foreign outflows. According to NSDL data, net FPI outflows over the last week stand at $1.5 billion, whereas for December so far it is $3.9 billion. That said, some support can be expected from the domestic fundamental data.

Data released on Monday show that for November, the Index of Industrial Production (IIP) grew 6.7 per cent (versus last year November's 5 per cent), boosted by an 8 per cent growth (compared to 5 per cent in the same month in 2024) in manufacturing. Both numbers are at a 25-month high.

It is doubtful whether this can help the rupee make a strong recovery because in April-November (FY26), the growth in IIP stood at a lower 3.3 per cent versus 4.4 per cent in the same period in the previous year.

From a technical point of view, despite the above factors, as there has been a sharp movement recently and liquidity is low, there is a chance for some consolidation. The rupee faced resistance at 89.40 last week and has now declined to 89.79.

The price action over the past few days shows that 90 can provide good support. Subsequent support is at 90.25. That said, the recovery can only be limited as there are resistance levels at 89.40 and 89.20.

The dollar index, too, substantiates this as it has a key support ahead at 97.50, and at the same time, a strong barrier at 98.70. Until either of these levels is breached, the dollar index cannot establish a sustainable trend in either direction.

OUTLOOK

Considering the above factors, in the near term, the exchange rate of rupee-dollar is likely to stay within 89.20 and 90.25.