Near-term outlook positive for rupee

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Can gain further momentum if it manages to breach 64

Trading levels for the week

NSE futures	LTP	S1	S2	R1	R2	Trade Ideas
USD-INR	64.55	64.25	63.90	64.80	65.20	Near-term view is negative. Go short and also accumulate on rallies
EUR-INR	76.63	76.20	75.50	77.30	78.00	Wait for dips and go long only if the contract bounces from 76.20
GBP-INR	87.22	86.50	85.50	88.00	88.70	Outlook is bullish. Go long and also accumulate on dips
JPY-INR	57.23	56.70	56.25	57.50	58.00	Outlook is bearish. Go short at current levels and also on rallies

LTP: Last Traded Price; S1,S2: Support; R1,R2: Resistance

Note: In a buy recommendation, the resistance would be the target and the nearest support would be the stop loss; in a sell recommendation, the support would be the target and the nearest resistance would be the stop loss. The recommendations are based on technical analysis. There is a risk of loss in trading.

BL Research Bureau:

It was a volatile week for the Indian rupee. The currency strengthened to 64.27 last week initially and reversed lower to make a low of 64.62 on Thursday. However, it regained strength again to test 64.28 levels before closing at 64.37 on Monday.

Strong growth in the third quarter was one of the factors that aided the rupee to recover from its low last week. The Indian economy grew at a rate of 6.3 per cent in the third quarter after growing at 5.7 per cent in the previous quarter.

Following the strong GDP numbers, the market is keenly watching the RBI's next move at its meeting this week. The outcome of the RBI monetary policy meet is due on Wednesday. There is an increased hope in the market that the strong third quarter numbers could leave some room for the RBI to cut rate. However, broadly, the RBI is expected to keep the rates unchanged this week. Any hints on possible rate cuts in the future will be positive for the markets.

Apart from the RBI meeting, on the global front, the US jobs data on Friday will be a key event to watch this week. A strong job data from the US could boost the dollar and limit the strength in the rupee.

Dollar outlook

The US Senate clearing the tax Bill over the weekend has provided some support to the dollar.

However, the dollar index is not gaining momentum. It has been stuck in a narrow range between 93 and 93.5 over the last few days. The immediate outlook is mixed. Key resistance is in the 93.50-93.60 region. Next important resistance is at 93.7. Though a test of these resistances cannot be ruled out in the near-term, the outlook for the index will turn positive only if it breaks above 93.70 decisively. Such a break will increase the likelihood of the index rallying to 94.2 and 94.5 going forward. On the other hand, inability to break above 93.70 can pull the index lower below 93 to 92.5 again. In such a scenario, a range-bound move between 92.5 and 93.7 is possible for some time.

Rupee outlook

The support in the 64.55-64.60 region has held very well for the rupee. The upward reversal after testing 64.62 in the past week leaves the near-term outlook positive.

There is a strong likelihood of the rupee strengthening to 64 in the coming days. If the currency manages to surpass the psychological hurdle of 64, it can strengthen further to 63.80 or even higher thereafter. On the other hand, if the rupee reverses lower from 64, it can weaken to 64.3 initially. Further break below 64.3 can take it lower to 64.50 and 64.60 again.

The rupee will come under renewed pressure only if it declines below 64.60. Such a break will only bring back the threat of the currency falling to 65 and 65.5 levels again.