

# Rupee hits 17-month high, but crucial resistances coming up

Near-term view continues to remain positive for the domestic currency

**GURUMURTHY K**

BL Research Bureau

A sudden surge in risk appetite is seen everywhere following the US Federal Reserve meeting on Wednesday.

The US Fed increased interest rates by 25 basis points as expected and has reiterated that there will be gradual hikes, going forward. The median projection for the Federal funds rates for 2017 has been kept unchanged at 1.4 per cent, same as was projected in the December meeting.

This means that only two more rate hikes could be on the cards for the rest of the year. This took the sheen off the safe-haven dollar and triggered a sharp sell-off. The dollar index tumbled about a per cent – from around 101.5 to 100.5. Both the Euro and the British Pound were up more than a per cent.

## US on strong footing

It is evident from Janet Yellen's press conference on Wednesday that all is well with the US economy. She said that the US economy has progressed in line with expectations so far and the Fed expects it to improve further, going forward. The Fed is also more convinced about the improvement in the US job market and thinks that wage growth will also improve. The external global factors are the only risks that the Fed seems to be concerned about.

The dollar index breaking below 101 is a short-term negative. Inability to rise past 101 from



The currency can strengthen to 65 or even 64.75 in the coming days. But a cluster of resistances poised between 64.80 and 64.75.

the current levels of 100.5 may keep it under pressure. If the index continues to trade below 101, a fall to 99.5 or even 99.2 is possible in the short term. Whether the index manages to reverse higher from 99.5 or 99.2 will then decide the next move for it.

## Rupee in spotlight

The Indian rupee has been in the news since the beginning of the week. The currency, which was stuck in a broad range of 66-68.85 for more than a year, finally broke beyond this range. The domestic market gave a thumbs up to the BJP's victory in the recent State Assembly elections. It gave the much-needed boost to the Indian currency to breach 66 convincingly.

The strength in the currency enhanced further as the non-dollar currencies strengthened

against the dollar after the US Federal Reserve meeting on Wednesday. As a result, the rupee climbed to a 17-month high of 65.23 on Thursday.

## Where is the rupee headed?

The near-term view continues to remain positive for the rupee. The currency can strengthen to 65 or even 64.75 in the coming days. But a cluster of resistances are poised between 64.80 and 64.75.

Since the currency has strengthened sharply in a short period of time, a break above 64.75 looks less probable at the moment. As such the rupee is more likely to reverse lower from the 65-64.75 resistance zone. Such a reversal can take it lower to 66 or even 66.5 thereafter. But if the rupee manages to surpass 64.75, the doors will open for it to test 64 thereafter.

x