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Rupee limits impact of markets crash against dollar. Where is the currency head?



Volatility in markets returned this week due to a more hawkish than expected commentary from the US Fed. (Photo: Reuters)

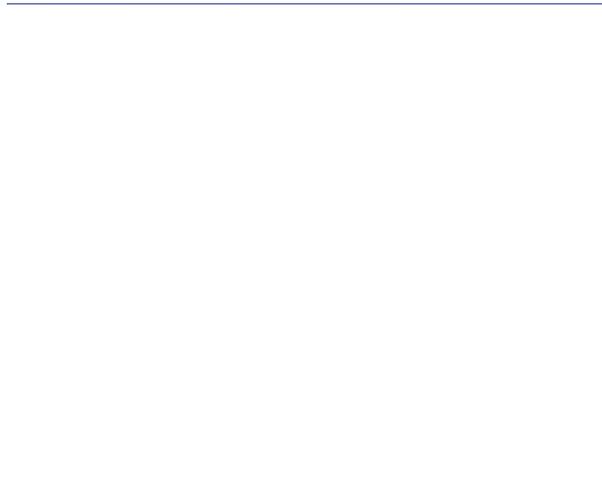
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Pooja Sitaram Jaiswar

The local unit closed at 79.55 against the dollar. On Tuesday, the rupee stood over two weeks high at 79.52 per dollar. The markets were closed on Wednesday due to Ganesh Chaturthi.

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against the US dollar as recovery in the greenback coupled with weak equities market performance globally weighed on sentiments. Volatility in markets returned this week due to a more hawkish than expected commentary from the US Fed. In a single day, Sensex has nosedived by more than 1,010 points, and Nifty 50 dropped by over 290 points. Global markets were also under pressure on fears of economic slowdown.

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On Thursday, the [rupee](#) firmed session recovering from the two-week high of Tuesday's level, however, erased the early gains and weakened on recovery in dollars later on. In early markets, the greenback faced selling pressure from exporters, while a dip in crude oil prices further boosted the rupee. Overall, the rupee stood stable despite the steep volatility in the [market](#).

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On the latest performance, Sriram Iyer, Senior research analyst at Reliance Securities said, "The Indian Rupee gave up earlier gains to end the session marginally weaker this Thursday. Recovery of the greenback, weak Asian and EM peers, and weak Asian and domestic equities weighed on sentiments. The markets also shrugged off a crash in crude oil prices and exporters selling dollars this Thursday. The Rupee ended at 79.5550 per U.S. dollar after trading between 79.31 and 79.555, slightly weaker from the previous session close at 79.45 on Tuesday. NDF is currently trading at 79.61 per dollar this Thursday afternoon trade from the previous session close of 79.485 on Wednesday," [OPEN APP](#)

Iyer added, "Technically, the USDINR pair is still stuck in the consolidation where 79.22 will be the support and 80.00 can work as a strong resistance. For further direction, the pair must breach any of the above-mentioned level. In the overseas markets, the Dollar Index remained near 20-year high lifted by higher U.S. interest rates, while the Japanese Yen fell to a 24-year low as Japanese rates could remain firmly pinned down."

According to the senior analyst, technically, \$109.40 will be the immediate hurdle for the Index. If it sustains above this hurdle further upside can be seen till \$112.00-\$1130.00 level in coming sessions. However, on the contra side, \$108.30 will be strong support. Weakness in the index can be only seen if it breaches this level.

Where is the rupee headed?

Aditi Gupta, Chief Economist at Bank of Baroda in the latest note dated August 30 said, "With the Fed Chair clearly signaling higher rates are likely to stay, the [dollar index](#) OPEN APP index may see a further uptick. This will keep global currencies, including INR under pressure. While FPI flows have remained positive in Aug'22, higher rates in the US along with a slowing global growth may spur a fresh bout of

FPI withdrawals from the Indian market. On the positive side, oil prices may see some correction as higher rates tip the global economy into a slowdown if not recession."

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Overall, Gupta added, "we may expect the rupee to trade in the ₹79.75-80.0/\$ range in the near-term. However, the RBI has shown a strong intent to defend the 80/\$ mark, in which case a move above that level may not materialize."

Further, CARE Edge in its report said, "The Dollar index recently advanced past the 109 mark to reach the highest level in nearly two decades on prospects of aggressive Fed. Strong Dollar index continued to put weakening pressure on Rupee and other major and emerging market currencies."

"We expect USD/ INR to move in the range of 79-82 levels in the next three months," Care Edge report added.

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