

₹ hits fresh closing low of 83.29 as \$ index rises

Geopolitical tensions in West Asia, rising crude prices led to foreign outflows

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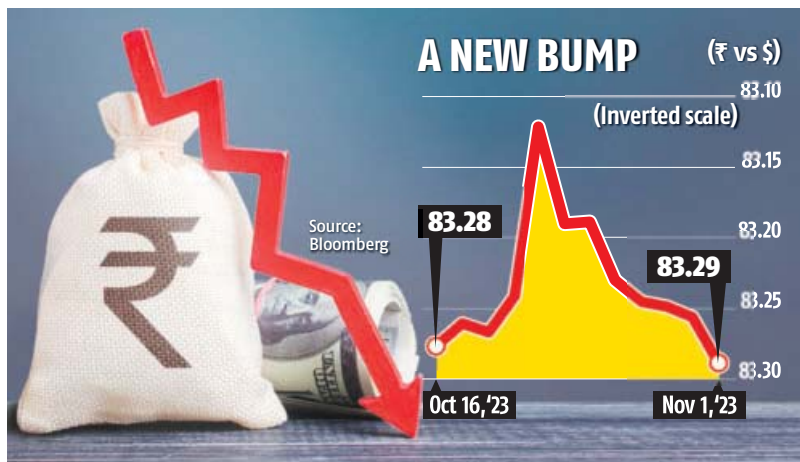
The rupee hit a fresh closing low of 83.29 against the US dollar on Wednesday due to the rise in dollar index. This comes ahead of the US Federal Reserve outcome scheduled after market hours, dealers said. Additionally, geopolitical tensions in West Asia and rising crude oil prices led to foreign outflows which further weighed on the local currency.

The previous all-time closing low for the rupee was 83.28 on October 16. The Indian currency settled at 83.26 per cent on Tuesday. The dollar index, which measures the strength of the greenback against a basket of six major currencies, rose to 106.87 on Wednesday against 106.02 on Tuesday.

Market participants speculated that the Reserve Bank of India (RBI) intervened in the foreign exchange market to protect the rupee from weakening further.

“The RBI was in the market, and they are present every day,” Anindya Banerjee, vice-president, Currency Derivatives and Interest Rate Derivatives at Kotak Securities, said. “They could have sold around \$50 million,” said Banerjee.

The local currency depreciated by 0.3 per cent in October. It had depreciated by 1.2 per cent between July and



September.

In the current financial year, the rupee has depreciated by 1.33 per cent, whereas, in the current calendar year it has depreciated by 0.66 per cent so far.

On the other hand, it witnessed 0.2 per cent appreciation in the first quarter. Moreover, it appreciated by 0.16 per cent in the first six months of the current calendar year on the back of robust foreign inflows. Dealers expect that the 83.60 a dollar mark will be the next stop, if the rupee breaches the 83.30 mark.

“The RBI faces a poignant situation as its foreign exchange reserves declined to \$583.53 billion at the end of October

20, while it has been intervening in the market to prevent rupee’s decline below 83.29, its lowest level. The rupee is plagued with dollar outflows from foreign portfolio investors (FPIs), oil companies, importers and ECB redemptions,” said Anil Kumar Bhansali, Head of Treasury and executive director at Finrex Treasury Advisors LLP.

Meanwhile, the US rate-setting panel is expected to keep the interest rates unchanged. According to the CME FedWatch tool, 97 per cent traders expect the US Federal Reserve to keep the rates unchanged, whereas, around 3 per cent of traders expect a 25 basis points hike.