

Rupee zooms to 5-week high on rising FPI flows, weakening \$

Slipping crude oil prices, exporters bringing in dollars also help

OUR BUREAU

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A weak dollar, decline in crude oil prices, and FPI flows into the equity market turned the sentiment favourable for the Rupee on Tuesday. The Indian unit closed at its highest level against the dollar in five weeks.

The Rupee (INR) closed below 79 to the dollar (USD) mark at 78.7175 — up about 31 paise from the previous close of 79.025.

Since March-end, the country's forex reserves have declined by \$35.749 billion, partly due to RBI's aggressive intervention in the market to smooth volatility in the exchange rate movement.

US Fed stance

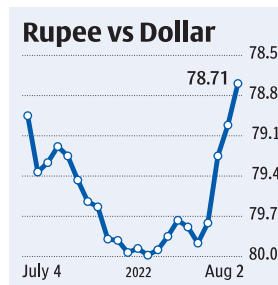
Overall, the INR has appreciated 114 paise in the last seven trading sessions (60 paise last week and 54 paise this week so far) in the backdrop of the possibility that the US Fed will turn less hawkish due to contraction in growth in two successive quarters, the RBI's aggressive intervention (dollar sales) and exporters bringing in dollars.

Opening stronger at 78.95 vis-a-vis the previous close of 79.025, the domestic cur-

rency touched a high and low of 78.49 and 78.9550, respectively.

"The market expected the 78.80 level to hold, but continuous unwinding of offshore (non-deliverable forward) positions in the wake of a weak Dollar Index, improvement in risk sentiment towards India, and reversal in FPI flows, saw the rupee hit 78.49.

However, the demand for Dollars from importers and sabre-rattling by China in the backdrop of the scheduled visit by US House of Representative Speaker Nancy Pelosi to Taiwan pushed the Rupee to 78.7175," said a dealer with a private sector bank.



Multiple factors favour Re

Amit Pabari, Managing Director, CR Forex Advisors, observed that the factors currently favouring the Rupee include the return of FPIs to the Indian equity market, oil prices being stable to negative, softness in the Dollar, and better growth prospects of the Indian economy compared to the developed economies.

He noted that as majority of the market's punt was

long on the Dollar, short-covering of the same resulted in stop-losses getting triggered.

Per Pabari's assessment, if dollar inflows continue and the Rupee breaks the 78.50 level, the USD-INR pair will move towards 77.80 in the short-term where they are likely to bottom out and resume the upward journey towards 79.50 to 80.00 levels.

Kotak Mahindra Bank, in a report, said: "Improvement in FPI flows in July has provided relief to the INR... Notably, the RBI has been aggressively intervening lately to strongly signal averting an overshoot of the 80-mark. In the near term, with softening global yields, the USD and crude oil prices, we expect the USD-INR range to shift towards 78.50-80."

Global currencies rise

Global currencies have edged up against a weaker Dollar. The DXY Index fell amidst expectation that the Fed will slow down the pace of monetary policy tightening, Bank of Baroda said in its fortnightly report.

Per the report, Brazilian Real strengthened 5.1 per cent, followed by Japanese Yen (3.7 per cent), Australian Dollar (2.5 per cent) British Pound Sterling (1.8 per cent) in the fortnight ended July 29. The INR, too, ended higher by 0.9 per cent.