

● BEST SINGLE-DAY GAIN IN OVER 11 MONTHS

Rupee surges as exporters seek cover amid dollar slide

AGENCIES

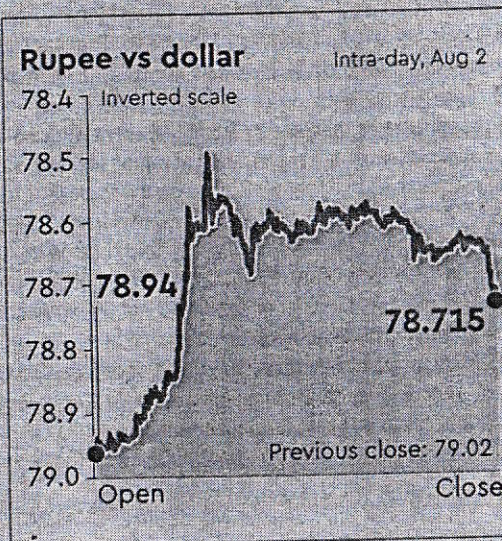
Mumbai, August 2

RUPEE HIT MORE than a five-week high on Tuesday, as under-hedged exporters dashed to cover their positions, while falling US Treasury yields kept the dollar in check amid recession fears.

The rupee rallied 53 paise — its best single-day gain in over 11 months — to close at an over one-month high of 78.53 against the US dollar on Tuesday. On Monday, the unit had closed at 79.02.

“Exporters were hoping to liquidate their holdings when the rupee touches 80-81 but suddenly it appreciated a lot and ‘fear of missing out’ came into play which made them offload at this level,” said a trader at a state-backed bank.

Signs of a possible recession in the world's biggest economy has been dragging on the dollar as it erased chances of large rate hikes by the Fed. It has also pulled US Treasury yields lower, which in turn hurt the green-



back.

US speaker Nancy Pelosi's visit to Taiwan added to market jitters on the day, sending US yields to a four-month low. That sentiment kept risk assets under pressure across Asia, but the Indian rupee was an outlier as it rose the most among its emerging market

peers on a deluge of inflows.

With the US Fed sounding dovish last week, equities have reversed course and there's optimism that they will contribute positively in August, the trader said.

There are considerable inflows into the debt market, while the recent 5G telecom auction has also brought in billions of rupees, the person added.

Additionally, oil prices slipped below \$100 per barrel on concerns over global fuel demand given the economic downturn, but this is good news for the rupee as according to traders it can potentially bring down India's import bill by \$5-\$6 billion.

Investors now await the Reserve Bank of India's monetary policy decision on Friday in which the central bank is expected to raise its key interest rate. However, there was no consensus among analysts on the size of the move given the absence of any clear guidance from the central bank, according to a *Reuters* poll.