

# Re breaches 90/\$ on US trade deal worry, FPI exit, importer demand

## Our Bureaus

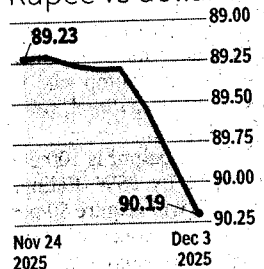
Mumbai/ New Delhi

The rupee on Wednesday breached the psychologically crucial 90 to the US dollar level to close at a fresh all-time low of 90.19 in the back-drop of continued FPI outflows from the equity markets, importer demand, lack of visibility on the US trade deal, widening trade deficit and restrained RBI intervention.

The rupee closed down 32 paise from the previous close of 89.87. It has slumped about 5 per cent (or about 458 paise) against the US dollar in the current calendar year so far. Opening 10 paise weaker at 89.97 compared with the previous close, it tested an intraday high/low of 89.9650/90.30 per dollar.

Anindya Banerjee, Head Commodity and Currency, Kotak Securities, attributed the slide in the Indian unit to a host of factors, including growing uncertainty around the India-US trade deal and a wave of stop-losses getting triggered above the 90 level, especially from leveraged traders and option sellers defending that zone. Further, steady importer demand, particularly from sectors like oil, metals and electronics, which continue to absorb available

## Rupee vs dollar



dollar liquidity, weighed on the rupee.

Banerjee said despite the new high, the overall price action remains orderly, with the RBI stepping in selectively to smooth volatility rather than hold any specific level.

## NOT LOSING SLEEP: CEA

Asked about the rupee vaulting over the 90/dollar mark, V Anantha Nageswaran, Chief Economic Advisor, told the media on the sidelines of the Confederation of Indian Industry's (CII) India Edge Summit: "I am not losing sleep over it. It will come back next year. Right now, it is not impacting inflation or exports."

## 'SENSIBLE RBI ACTION'

Sanjiv Bajaj, Chairman and Managing Director of Bajaj Finserv Ltd, as Chairman of the CII Corporate Governance Council, told busi-

nessline that the RBI has played a sensible role in ensuring that rupee volatility is minimised rather than setting any benchmark for rupee-dollar. And that is the correct narrative.

"I think the rupee should go to its natural level in a stable manner. That allows exporters and importers to take the right kind of calls, keeping in mind that on the net, we want to be an economy which has both the opportunity and need to export to the world. Of course, a weaker rupee is better than a stronger rupee. Sometimes you need a weaker currency for an interim period to get strong and large enough as a country, where thereafter the currency gets strong. We have to go through that cycle," Bajaj said.

## CORRECTION COMING

Madan Sabnavis, Chief Economist, Bank of Baroda, noted that any mark breached by the rupee which prevails for 2-3 days becomes the new benchmark.

"The market is talking of 91, though we think post (RBI bi-monthly monetary) policy, there should be a correction back to 88-89 levels. But it is guesswork all the way — as it has been ever since we crossed the ₹88 mark," he said.