

₹ likely to face stronger headwinds this month

Analysts expect dollar index to rise with more rate hikes in US

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After witnessing a 0.16 per cent appreciation in the past six months, the rupee may face headwinds in July due to the strengthening of the dollar as major central banks hint at more rate hikes during this calendar year.

The median of a *Business Standard* poll of 10 respondents puts the rupee at 82.05 versus a dollar at the end of July. A majority of respondents see the Indian currency depreciating up to the 82.25 level by the end of this month. The domestic currency settled at 82.02 per dollar on Tuesday, a day after it closed at 81.96 — a two-week high.

Analysts now expect the dollar index to rise, thus weighing on the Indian currency.

“Most central banks have been hawkish against the expectation and they are not yet done with their interest rate hikes. So, expect one or more interest rate hikes in the US, UK, and Europe,” said Ritesh Bhansali, vice-president at Mecklai Financial Services. “The data com-



₹ VS \$: THE FORECAST

	July-end	December-end
Karur Vysya Bank	82-82.20	82.60-82.80
STCI Primary Dealer	82.10-82.15	82.59-83
Shinhan Bank	81.50-82.25	81.80-82.80
Finrex Treasury Advisors	82.30	81.40
CR Forex	82.50-82.93	82-83.50
HDFC Bank	81.50-82	80.50-81
Mecklai Financial Services	82.25	81.6
IFA Global	81.60-82.90	-
Kotak Mahindra Bank	82	80.50
YES Bank	81.30	80.82
Median	82.05	81.60

ing out of the US is firmer than expected. Additionally, the previous expectation was that central banks would start cutting rates by the end of the year, but the market is now coming back to reality — there are going to be rate hikes and central banks will not reduce rates. So, you will see the dollar index well supported at higher levels.”

The rupee appreciated by almost 70 paise in the first six months of this calendar year, on the back of strong FPI inflows.

A few analysts are of the opinion the positive domestic growth out-

look may keep attracting foreign portfolio flows into Indian equities, which may keep supporting the rupee. “FPI inflows have been really strong, creating a very strong sentiment, which is obviously supporting the rupee,” said Kunal Sodhani, vice-president at Shinhan Bank. “Also, inflation is moving left in the comfort band of 2-6 per cent. Good growth prospects, along with Brent crude prices consolidating between \$70 per barrel and \$80 per barrel, have been portraying a strong macro outlook for India.”

fication was conducted on two cooperative banks in Uttarakhand, and transactions exceeding a few thousand crores, not reported by them, were identified.

Rupee...

For USDINR, 81.58 acts as a support while 82.25 a resistance, Sodhani said. According to analysts, any sharp rise in the Indian unit is expected to be contained by the Reserve Bank of India's efforts to limit rupee volatility and replenish its foreign exchange reserves.

"As seen in the recent past, the RBI has protected every bottom and that is reflected in the reserves data which has shot up from \$560 billion in March to \$593.19 billion (as on June 23)," said Amit Pabari, managing director, CR Forex. "Going forward, too, the RBI may try to absorb the flows, especially hot ones as that carry a risk of immediate withdrawal when risk-off sentiment takes place. Thus, the RBI's stance will be buying the spot and increasing its reserves."

Meanwhile, the narrowing interest rate differential is expected to weigh on the forward premia, eventually pressuring the Indian currency.

"1-year forward premia plunged to 1.68 per cent, their lowest since December 2022 as interest rates in the US rose more than in India. Further, as

the prospects of further hikes by the Fed are rising against the talks of cuts earlier, and here with inflation comfortably within the RBI's band, the RBI will likely keep the status quo and the differentials will go in favour of the US, leading to further squeezing of forward premia," Pabari said.

The Indian central bank is expected to keep the repo rate unchanged at 6.50 per cent at least during the current calendar year, most market participants said.

IFFCO...

Sources said IFFCO had sought details from five vendors and chose the Drone Federation of India after a thorough evaluation. The drones would be given free of cost to over 5,000 ruralpreneurs (rural entrepreneurs). The entrepreneurs then would be given proper training and guidance to handle the drones, with all expenses borne by IFFCO. Sources said the training and certification of drone fliers would be done at DGCA-approved remote pilot training organisation centres.

According to the plan, each drone will cover 3 acres of land for spraying nano urea on a single charge of battery in about half an hour. However, the battery offers a flying time of 18-22 minutes. After every three sorties of 20 minutes, the battery has to be replaced.

