

# RBI intervenes as ₹ falls to new low

## Hits 83.76 against \$

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The rupee on Friday depreciated to a new intraday low of ₹83.76 against the dollar during the day because selling in equities and domestic demand for the American currency from importers offset the gains from the weaker greenback, said dealers.

The rupee settled at ₹83.75 per dollar against ₹83.73 on Thursday.

The dollar index fell by 0.27 per cent to 103.92 on the back of favourable US data and dovish comments by the US Federal Reserve.

The index measures the strength of the greenback against a basket of six major currencies.

Market participants said the local currency did not depreciate further because the Reserve Bank of India (RBI) intervened in the foreign-exchange market through dollar sales.

“There was a selloff in equities and then importers and foreign banks were also buying dollars,” said a dealer at a state-owned bank.

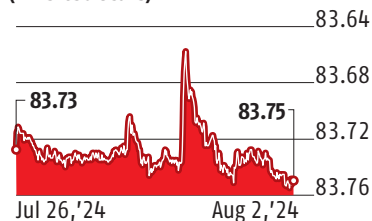
“Earlier, the RBI used to intervene in the market after a movement of 3-4 paise. Right now they have been intervening at each paisa movement ... this is the new trend now,” he added.

Despite Asian currencies rising, the rupee has been allowed to fall, given the currency’s elevated real effective exchange rate (REER), said dealers.



## RUPEE VS DOLLAR

(inverted scale)



Source: Bloomberg

According to the latest monthly RBI Bulletin, the rupee’s trade-weighted real effective exchange rate, based on a basket of 40 currencies, was 106.54 in June, which says the local currency is more than 6 per cent overvalued.

“The rupee fell to a new intraday low of ₹83.76 per dollar as the State Bank of India continued to buy dollars from the market to make government payments while the RBI sold (dollars) at ₹83.76 today (Friday),” said Anil Kumar Bhansali, head of treasury and executive director, Finrex Treasury Advisors LLP.

In terms of the REER, the rupee appreciated 1.8 per cent (month-on-month) in June 2024, mostly due to the positive relative price differentials.