

# Rupee falls amid dollar demand from oil firms

**Our Bureau**  
Mumbai

The rupee could not hold on to early gains on Monday arising from dollar's weakness, with persistent demand for the greenback from oil companies and foreign fund outflows weighing it down.

This came amid continuing uncertainty relating to the impact of US 25 per cent tariffs on Indian exports.

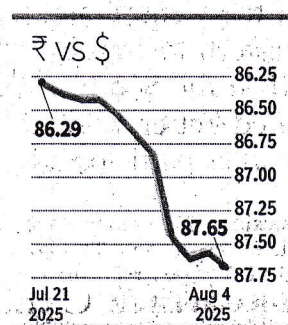
Market players say the RBI allowed the six-month \$5 billion USD/INR buy/sell swap it conducted on January 31, 2025, to mature. This is likely to boost dollar liquidity to that extent and support the rupee.

The Indian currency closed at 87.6550 per dollar, down about 12 paise against Friday's close of 87.54.

In the last 10 days, the rupee has weakened about 114 paise from the 86.52 closing level on July 25 so far.

The Reserve Bank of India had conducted a \$5 billion USD/INR buy/sell swap auction on January 31, 2025, as part of its efforts to infuse durable rupee liquidity in the banking system, which was then reeling under a deficit. Once the swap matures, the reverse happens - RBI sells dollars and sucks out rupee liquidity.

V Rama Chandra Reddy, Head - Treasury, Karur Vysya Bank, observed that with abundant rupee liquid-



ity (of about ₹4 lakh crore), allowing the swap to mature will not make much of a dent on the overall banking system liquidity. The swap will bolster dollar liquidity with banks to the tune of \$5 billion.

Some banks, which deployed funds from FCNR(B)

deposits in the USD/INR buy/sell swap with RBI, may choose to go for a USD/INR sell/buy swap with counterparty banks if they want to boost rupee funds, he said.

## KEY FACTORS

Dilip Parmar, Senior Research Analyst, HDFC Securities, said the rupee has weakened in six of the past seven days, primarily due to foreign fund outflows and liquidity adjustments by the RBI following the maturity of a \$5 billion USD/INR swap.

The forward premium also jumped to reflect the potential interest rate differential between the US and India after Friday's job data from US.