

₹ posts best day in a month on RBI \$ sales

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A day after hitting a fresh low and breaching the 92 mark against the dollar, the rupee on Thursday gained 0.6 per cent to become the best-performing Asian currency, supported by dollar sales by the central bank.

Dealers estimated that the Reserve Bank of India (RBI) sold around \$5-6 billion during the day.

The domestic currency had fallen to a fresh low of 92.30 per dollar during Wednesday's session, weighed down by escalating geopolitical tensions in West Asia.

On Thursday, the rupee settled at 91.61 per dollar, compared with the previous close of 92.15 per dollar. It was also one of only two Asian currencies that appreciated against the greenback during the session.

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Mkts snap 3-day losing streak, rebound over 1%

All NSE sectoral indices ended higher except information technology, which slipped 0.6 per cent. The India VIX volatility index cooled 15 per cent to 17.9.

A large part of the index gains came from heavy-weight Reliance Industries, which rose 3.3 per cent after falling nearly 5 per cent over the previous three sessions. Engineering major Larsen & Toubro rebounded 4 per cent after shedding nearly 10 per cent in the preceding two sessions.

Analysts said the recent correction in several stocks appeared overdone, prompting value buying.

Market breadth improved, with 2,749 stocks advancing and 1,515 declining on the BSE.

Brent crude prices hovered around the \$83-per-barrel mark.

Experts said the recovery remains fragile as the situation in West Asia continues to be uncertain. Investors may need to brace for further volatility, as disruptions to energy supplies could complicate the global inflation and interest-rate outlook.

For India, the stakes are particularly high given its heavy dependence on imported energy. The country imports more than 80 per cent of its crude oil requirements, with over half sourced from West Asia. Six of India's top 10 crude suppliers are from the region. Besides oil, Qatar and the UAE are key LNG suppliers,

raising concerns after reports that Qatar shut its largest gas plant.

"In periods of heightened uncertainty, such as war-like situations, investors typically move capital toward safer assets, usually in developed markets. As a result, emerging markets tend to witness selling pressure," Pratik Gupta, chief executive officer and co-head, Kotak Institutional Equities, said.

Analysts also said shipping firms, oil producers, and insurers have adopted a cautious wait-and-watch approach amid reports of damaged vessels in the region.

"Strait of Hormuz flows, and any potential communication on the strait by the US, Iran, China and GCC countries, as well as developments in the broader conflict, are now the most important variables to watch in energy markets," Goldman Sachs said in a note earlier this week.

After the selloff, India's valuations are now below their long-term averages. However, experts believe they are still not "cheap".

"At present, India's valuations are not exactly cheap. The market is trading at close to 20 times one-year forward earnings — lower than earlier levels but still relatively expensive on a broad basis. Valuations would begin to look attractive if the market were about 10-12 per cent lower, which would translate to roughly 18 times forward earnings," Gupta said.

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"The currency traded within an intraday range of 91.40-91.64 per dollar following

intervention by the RBI, which reportedly sold dollars through state-run banks to

stabilise the currency," said Abhishek Goenka, founder and CEO of IFA Global.

"The earlier pressure was largely driven by a surge in crude oil prices and a broader global riskoff sentiment, which strengthened the US dollar and weighed on oil-import-dependent currencies like the rupee. Market participants remained defensive, with importer demand for dollars persisting through the session," he added.

The rupee has depreciated by 6.70 per cent against the dollar so far in the current financial year, while it has weakened by 1.89 per cent in the current calendar year.

"Today, the RBI did not allow 91.65 to be cleared on the downside for the rupee," said Anil Kumar Bhansali, executive director and head of treasury at Finrex Treasury Advisors.

"There were sufficient dollar buyers who kept the rupee on the upside near the 91.63 levels, but the RBI was firm in its stance and did not allow any upward move," he said.

The central bank also intervened in the government bond market via bond purchases for the second consecutive trading session,

dealers said.

The yield on the benchmark 10-year government bond settled at 6.64 per cent, compared with the previous close of 6.67 per cent.

"The RBI continued its bond purchases and mutual funds were on the selling side," said a dealer at the primary dealership. "Yesterday (Wednesday), they bought around ₹20,000 crore worth of bonds. Today (Thursday), it could be more than that," the dealer added.

The central bank had bought ₹2,815 crore worth of government bonds in the secondary market on February 18, latest data showed. In the week ended January 23, the RBI had bought ₹12,655 crore worth of bonds in the secondary market.

Foreign exchange market participants said sentiment improved marginally later in the session after reports suggested that Iran had signalled a conditional willingness to abandon its nuclear programme if the United States presented an acceptable alternative proposal.

In the near term, the rupee is likely to remain sensitive to movements in crude oil prices and developments on the geopolitical front.

India seeks to retain tariff edge over Asian peers in US trade deal

"That is under Section 122 for 150 days. During that time, we will see studies on tariffs under Section 301 and Section 232. It's my belief that the old rates will be back in five months," he added.

US Trade Representative Jamieson Greer last week said he had been in constant contact with trading partners to help them understand how the "replacement tools" aligned with the trade deals

the US had made.

"Section 301 allows the USTR to investigate unfair trade practices country-by-country. We have identified many such practices. These include the use of forced labour in supply chains, industrial excess capacity, discrimination against our digital tech companies, and subsidies for rice and seafood, among other issues," he added.