

Rupee jumps 31p on falling crude prices

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Mumbai, May 5

THE RUPEE ROSE 31 paise, or 0.37%, to 84.2475 against the US dollar on Monday, driven by a decline in crude oil prices. Brent crude prices plunged by up to 4.55% to \$58.5 on Monday after the OPEC+ agreed to a further increase in output over the weekend, spurring concerns about a glut of supply into an uncertain demand environment.

"Rupee strengthened after a highly-volatile trading session on Friday, underpinned by persistent overseas investment in domestic stocks and renewed appetite for risk-driven assets," said Dilip Parmar, research analyst, HDFC Securities. "The currency also drew support from a softening US dollar and easing crude oil prices, which bolstered the sentiment in both the Indian bond and rupee."

On Friday, the rupee witnessed high volatility as it hit a seven-month high and rose past the 84-level intra-day, but pared all gains to settle 3 paise lower at 84.57 against the greenback.

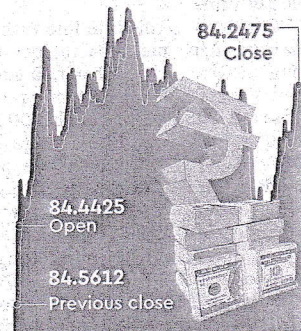
"One of the key factors that gave a psychological boost to the rupee move was the decline in Brent crude oil prices as global worries from the US-China trade war have been putting pressure on demand," Kanika Pasricha, chief economic adviser at Union Bank of India, said. "Though we still claim buy on dips for dollar-rupee, we believe that the sentiment for the domestic currency has turned more favourable in recent weeks."

The dollar index, which gauges the greenback's strength against a basket of six currencies, was trading lower by 0.26% at 99.76.

"We expect the USD/INR pair to stabilise in the range (of) 85-87 for 2025. The domestic impact of tariffs on the dollar will be visible in 2025, which will support the rupee," SBI Research said in a note on Monday.

HANDSOME GAIN

Rupee vs dollar
Intra-day, May 5 (inverted scale)



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Dollar-rupee forward premiums fell, with the one-year implied yield down 9 basis points at 2.18%.

Slimmer chances of a rate cut by the Federal Reserve in June and the rupee's recent string of gains have weighed on far-forward premiums, traders said. A pick-up in portfolio inflows and cutting of bearish bets boosted the rupee by about 2% over the last four weeks.

"The RBI is conducting aggressive open market operations, with ₹1.25 lakh crore in bond purchases scheduled for May to manage liquidity," said Amit Pabari, MD, CR Forex Advisors.

While forex reserves rose to \$688.13 billion for the week ended April 25, mostly due to higher foreign currency assets, the rupee's appreciation may be limited due to continued RBI intervention, he added.