

# ₹ declines 37 paise against \$ ahead of policy meet

MANOJIT SAHA  
Mumbai, 5 June

The rupee depreciated almost half a percentage point against the dollar on Monday, ahead of the June monetary policy review meeting and after the Opec-plus countries decided to cut supply.

The Indian rupee closed at 82.68 a dollar as compared to the previous close of 82.31, weakening 0.45 per cent on Monday.

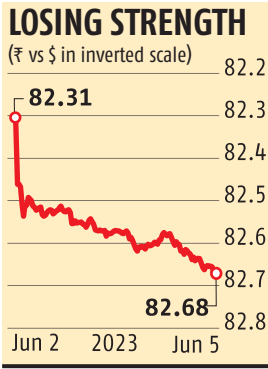
With the market expecting the six-member monetary policy committee (MPC) to keep interest rate unchanged during the June meeting, the central bank will find it challenging to defend the currency if there is another pause in the

interest rate, analysts said.

After raising the repo rate by 250 basis points (bps) to 6.5 per cent between May 2022 and February 2023, the MPC decided to pause in the April review of the monetary policy. RBI Governor

Shaktikanta Das emphasised that it was a pause and not a pivot while retaining the possibility of further tightening.

Consumer price index based inflation – the main yardstick for monetary policy



making – in April declined to an 18-month low of 4.7 per cent year-on-year (from 5.7 per cent YoY in March), well within the RBI's 2 – 6 per cent target band – which has led the market to believe that inflation and the repo rate has peaked.

“USD-INR spot closed higher, on the back of a rally in the US dollar Index. Strong US jobs data helped the index rise. Over the near term, we expect USD-INR to trade with-

## Oil rises on Saudi Arabia's July production cuts

Oil rose on Saudi Arabia's pledge to cut supply. US stock futures fluctuated after last week's sharp rally, which took the S&P 500 to the brink of a bull market. Crude futures rose more than 2 per cent, with oil giants such as Chevron and Exxon Mobil up in premarket trading. Saudi Arabia announced it will make an extra 1 million barrel-a-day supply cut in July, taking its production to the lowest level for several years. The Brent crude rose 1.3 per cent and was trading at \$77.13 per barrel (9.00 pm IST)

in a broad range of 82.20 and 82.85 on spot. The major event for this week remains the RBI monetary policy,” said Anindya Banerjee, vice-president (currency derivatives & interest rate derivatives) at

Kotak Securities.

The dollar index gained strength on Monday and most Asian currencies weakened against the dollar.

“Asian currencies all weakened against the dollar with

CNH retesting 7.13 while KRW was at 1306 levels. Dollar index regained the level of 104 as Euro and JPY were sold off while GBP was also down,” said Anil Kumar Bhansali, head of treasury, Finrex Treasury Advisors.

The Indian unit depreciated 1.1 per cent against the dollar in May – the biggest monthly drop in 2023. In this financial year so far, the currency weakened by 0.6 per cent.

The RBI has been using its foreign exchange reserves to defend the rupee. In the past two weeks till May 26, the foreign exchange reserves dropped by \$10 billion. At \$589 billion, the reserves seem adequate for the RBI to defend.