

₹ settles near all-time low as \$ index rises

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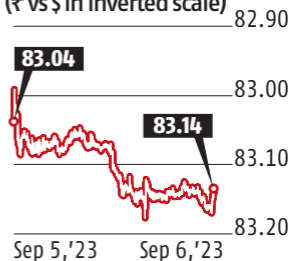
The Indian rupee depreciated by 10 paise on Wednesday, settling near an all-time low of 83.14 per US dollar, tracking the weakness in Asian currencies. Additionally, the sharp uptick in Brent crude oil prices prompted oil companies to purchase dollars. The Indian unit reached an intraday low of ₹83.18 a dollar on Wednesday and fluctuated in a range between ₹83.02 a dollar and ₹83.18 during the day.

The local currency had hit an all-time low of ₹83.15 against the dollar on August 17. Market participants speculate that the Indian unit might reach the psychologically crucial level of ₹84 a dollar due to the continuous rise in the dollar index and the weakening of Asian currencies. Furthermore, dealers suggest that the Reserve Bank of India (RBI) may not intervene in the market as much to maintain a balance between exporters' and importers' interests. Crude oil prices rose after Saudi Arabia and

Russia extended production cuts until December, contrary to market expectations of cuts until October. The dollar index climbed to 104.86, putting pressure on the Indian unit. The dollar index measures the strength of the greenback against a basket of six major currencies. "From this point forward, the dollar might rise to an all-time high, or, conversely, the rupee might reach an all-time low level of ₹84 a dollar," remarked Anindya Banerjee, vice-president, currency derivatives and interest rate derivatives at Kotak Securities. "The RBI is in the market, but the volatility in the USD/INR has reduced, so it doesn't make sense for it to spend the reserves unnecessarily," he added. The local currency is expected to remain in a range between ₹82.9 per dollar and ₹83.3 per dollar on Thursday.

"As Asian currencies fell and the dollar index rose to 104.78 levels, the rupee declined. Despite intermittent interventions by the RBI, oil and foreign portfolio investors continued to buy the US dollar, creating a sense of risk aversion. However, Indian equities reversed all losses and ended with gains after the Dow ended with a 295-point loss and European equities experienced declines," said Anil Kumar Bhansali, head of treasury and executive director at Finrex Treasury Advisors LLP.

NEW LOW, ALMOST (₹ vs \$ in inverted scale)



Source: Bloomberg