

# Supporting currency: Top banks told to avoid large trading bets against rupee

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**THE RESERVE BANK** of India (RBI) has asked some large banks to not add to their existing positions against the rupee in a bid to support the currency which has fallen to all-time lows for three straight days, four bankers said.

Officials from the RBI's financial markets regulation and operations department rang big banks on Tuesday, when the currency was at risk of breaching the 84/\$ level in the spot market, the bankers, who declined to be identified since they are not authorised to speak to the media, said.

The rupee turned into the worst-performing Asian currency over the last month, pressured by the unwinding of trades that used the Chinese yuan to fund long bets on the local currency.

To slow the depreciation, the RBI has intervened across the spot,

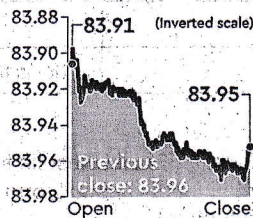
## Rupee closes 3 paise lower at 83.95 as dollar recovers

**THE RUPEE CONSOLIDATED** in a narrow range and settled for the day lower by 3 paise at 83.95 against US dollar on Wednesday, weighed down by a recovery in the US dollar and geopolitical tensions in the Middle East.

Forex traders said the Indian rupee depreciated on Wednesday on a strong US dollar and positive crude oil prices. However, strength

### Rupee vs dollar

Intra-day, Aug 5



in the domestic markets cushioned the downside.

At the interbank foreign exchange market, the local unit opened at 83.86 and touched an intraday low of 83.97 against the dollar during the session.

It finally settled at 83.95 against the American currency, down 3 paise from its previous close. —PTI

futures and non-deliverable forwards segments.

On Tuesday, RBI officials asked us to "consider the existing position size the risk limit," a senior treasury official at a large foreign bank said. This meant that the RBI did not want them to add to their existing trading positions on the rupee, he said.

The central bank often uses such informal calls to prod banks to manage excessive volatility. Lenders

typically comply.

The rupee on Tuesday dropped to a lifetime low of 83.96 to the US dollar, and would have likely depreciated more if not for RBI's instructions and direct intervention.

The central bank likely sold about \$1.5 billion in the non-deliverable forward market before the spot market opened, a currency trader at a bank said. This intervention prevented the rupee from falling past

the psychological 84 level.

The RBI has asked banks "to not aggressively bid (on USD/INR) for speculative positions," another senior banker at a foreign bank said.

The bankers said the central bank had not asked them to trim their existing positions, nor they had issued specific instructions regarding positions in the non-deliverable forwards market.

—REUTERS