

Rupee closes at record low vs dollar

Ends at 83.21 amid China slowdown concerns; RBI intervention prevents sharp fall



ANJALI KUMARI

Mumbai, 7 September

The Indian rupee hit a fresh closing low on Thursday as persistent concerns about a slowdown in China and the possibility of further rate hikes in the US weighed heavily on investors' minds. Public sector banks sold dollars on behalf of the Reserve Bank of India (RBI), which prevented a sharper fall, currency dealers said.

The current market sentiment appears dull, with a noticeable absence of catalysts for optimism, the dealers said.

The domestic currency ended the day at 83.21 a dollar compared to 83.14 on Wednesday. It had touched an intra-day low of 83.22 a dollar. The previous all-time closing low for the rupee was

83.15, on August 17.

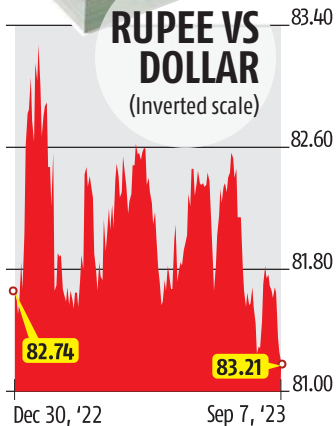
"Weakness in equity markets, a rising US Dollar Index, and a slump in Chinese external trade are weighing on the sentiments. Over the near term, we could see USDINR cross the current all-time high of 83.29 [intra-day] and head higher towards 83.60/80 levels. Therefore, we expect a broad range of 82.80 and 83.60 over the near term," Anindya Banerjee, vice-president (currency derivatives & interest rate derivatives) at Kotak Securities, said.

While domestic fundamentals have stayed strong, external factors continue to pressure the Indian currency. The rupee has depreciated by 0.5 per cent in the first week of September, while it depreciated by 0.6 per cent in August.

In the current financial year, the rupee has depreciated by 1.25 per cent. It fell 7.8 per cent in the previous financial year (FY23). In the current calendar year, the rupee has depreciated by 0.6 per cent.

Market participants speculate that the Indian unit might hit the psychologically crucial level of 84 a dollar due to a continuous rise in the dollar index and the weakening of Asian currencies. Additionally, the RBI might not intervene in the market as much in order to maintain a balance between exporters' and importers' interests, dealers said.

"The rupee is definitely going to touch the 84 level — but gradually, because the RBI will be there in the market," a dealer at a state-owned bank said.



Rupee...

“The RBI was there today (Thursday); that’s why it didn’t touch 84, otherwise it would have closed near the 84 a dollar level,” he added.

However, another section of the market believes that the local currency might top out at the current levels.

“We expect that the USDINR pair should top out near 83.20-25 levels again as domestic fundamentals are still better off, and the RBI can start rescue operations to make the 'U-turn'. Broadly, we believe that the fair value of the rupee is near 82.00 to 82.20 and it could start moving towards the same very soon,” Amit Pabari, MD at CR Forex, said.