

₹ surges 48 paise to close at 81.92 per \$, highest in a month

Stronger yuan, resumption of FPI flows into stocks bolster ₹

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Mumbai, 7 November

The rupee gained sharply against the greenback on Monday, strengthening past the 82 per dollar mark, as comments by a few senior Federal Reserve officials sparked hope of a slower pace of US rate increases going ahead.

A stronger Chinese currency and banks' dollar sales on behalf of overseas investors also gave a fillip to the Indian currency, dealers said. The rupee closed at 81.92 to the dollar on Monday, from 82.44 per dollar on Friday. So far in 2022, the Indian currency has depreciated 9.3 per cent against the greenback. The last time it had settled stronger than 82/\$1 mark was on October 6.

The hope of a reduced pace of tightening by the Fed and firmer-than-expected demand at last week's primary auction caused bonds to strengthen too, the dealers said.

Yield on the 10-year benchmark paper settled 4 basis points lower at 7.43 per cent. Bond prices and yields move inversely.

Late last week, top officials of the Richmond Federal Reserve, the Boston Fed and the Chicago Fed all hinted that going ahead, the US central bank could opt for rate increases of a lower quantum of rate increases. Since March

2022, the Fed has hiked rates by 375 bps, the most aggressive tightening spell in almost two decades. Higher US interest rates typically lead to a flow of global capital to the world's largest economy, exerting pressure on emerging market currencies such as the rupee.

The dollar index weakened following the comments by the Fed officials. The index, which measures the dollar against six major

currencies, was at 110.50 at 3:30 pm IST as against 112.53 at the same time on Friday. "Basically the rupee is catching up to the drop in the dollar index and a stronger Chinese yuan. There are two to three things," Anindya Banerjee, VP, currency derivatives & interest rate derivatives at Kotak Securities said.

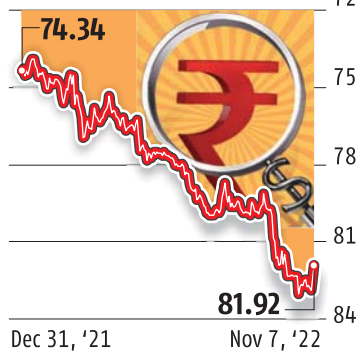
"One, some of the Fed members said on Friday they will be slowing down the pace of hikes and secondly the whole re-opening of China trade — which may be a little premature — is also playing

out. I'm seeing a range of 81.70/\$1 to 82.70/\$1 for the near term," he said.

Over the past couple of trading days, the rupee has benefited from the resumption of overseas investment flows into domestic equities, dealers said. The domestic currency has gained 1.2 per cent against the US dollar since November 3.

GAINING CURRENCY

₹ vs \$ (inverted scale)



Source: Bloomberg