

At 86.83, ₹ logs the highest 1-day gain in nearly 2 years

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The rupee on Tuesday rose 0.7 per cent, the most in nearly two years, closing at ₹86.83 against the US dollar thanks to RBI's active intervention, traders say.

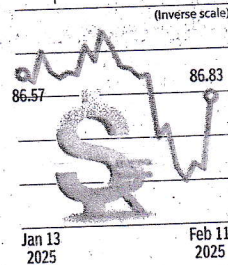
RK Gurumurthy, treasurer at Karnataka Bank, said that, based on guesstimates, the Reserve Bank of India spent close to \$10 billion over the last two days. The rupee appreciation comes when the dollar has remained stronger elsewhere. "It's a very timely move by the RBI and should arrest the frothy weakness," he said.

Amit Pabari, MD at CR Forex, said net inflow of ₹295 crore, primarily into the debt markets, provided the initial push to the rupee. Sensing an opportunity, the RBI stepped in aggressively, selling \$4-5 billion through state-run banks in the local spot market. As the stop-loss levels were breached, exporters were forced to unwind positions, further amplifying the rupee's momentum.

OUTLOOK

Gurumurthy said that the RBI interventions always tend to only check an overdrive and over the medium-term, the rupee should

Rupee vs dollar



mean-revert to mid-to-lower 80 levels against the dollar.

According to Paras Jasrai, Senior Economic Analyst, India Ratings & Research, the prospects of high tariff feeding into US inflation and the related *status quo* in Fed rates are keeping the dollar strong and thereby pressuring the rupee.

"Therefore, the commentary by the US Fed chair and economic outlook are key monitorables. The near-term expectations for the rupee could be to test the 88-mark and then perhaps 90 could be the mark," he said. Pabari, meanwhile, said the rupee could trade within the 86.60-87 range going ahead.

Market participants are now eyeing the outcome (on tariffs) of the meeting between Prime Minister Narendra Modi and US President Donald Trump scheduled for Wednesday and Thursday.