

₹ gives up early gains as traders unwind positions

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The rupee gave up early gains as traders unwound their long positions against the Indian currency, apart from the dollar demand due to corporate deals, said traders.

State-run banks were seen buying dollars on behalf of the central bank. This came after the Indian currency gained around 74 paise during early trade as border tension eased over the weekend, post the India-Pakistan ceasefire. The local currency settled at 85.34 per dollar, against the previous close of 85.38.

Government bond yields also softened following the de-escalation of strains along the border, and softer inflation print for April.

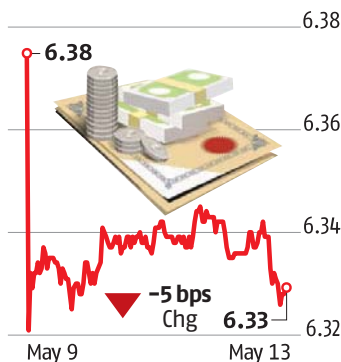
The benchmark 10-year government bond yield fell by 5 basis points (bps) to settle at 6.33 per cent, against the previous close of 6.38 per cent.

"Given that the market was closed on Monday, we saw a large amount of unwinding on Tuesday. The large swing was because people shifted to the buying position against the rupee from the earlier selling position," said a market participant.

"The rupee relinquished intraday gains as domestic equities weakened and traders unwound their long positions. Rising crude oil prices prompted Indian oil importers to increase their hedging activities," said Dilip Parmar, senior research analyst, HDFC Securities.

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10-year Gsec bond yield (%)



Source: Bloomberg

Additionally, around \$600 million of debt repayments, 4 per cent stake sale by Ant Group in Paytm for \$246 million, and General Atlantic Singapore Fund selling 7 per cent in KFin Technologies for \$143 million also contributed to the sustained dollar demand, weighing on the domestic currency, said dealers.

"The Reserve Bank of India (RBI) was intervening at around 84.64 per dollar levels. The amount it sold is hard to determine because there was dollar buying from oil importers and foreign portfolio investors (FPIs). Exporters were absent from the market on Tuesday," said Anil Kumar Bhansali, head of treasury and executive director, Finrex Treasury Advisors LLP.