

# ₹ hits fresh low against \$

## RBI's intervention policy unlikely to have changed

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Amid speculation of a change in the Reserve Bank of India (RBI)'s foreign exchange intervention policy, market sources said the stance is likely to have remained the same, with the central bank continuing to intervene to curb excess volatility without targeting any specific level or range.

While the Indian unit has fallen 1.2 per cent in January, this decline was mainly due to global factors prompting foreign portfolio investors to pull out of emerging market economies, putting pressure on respective currencies.

On Tuesday, the rupee hit a fresh low of 86.68 per dollar (intraday) as foreign investors

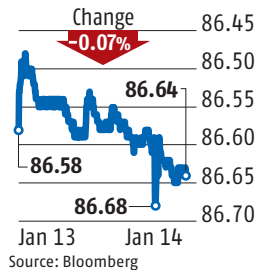
## FIGHT AGAINST GREENBACK



and oil importers continued to stock up on dollars, dealers said. The domestic currency regained some ground by the end of the trade, settling at 86.64 per dollar, a closing low.

On Monday, the local currency had settled at 86.58 per dollar. Foreign exchange intervention data, released with a two-month lag, showed the central bank net sold \$9.2 billion in October, the highest monthly sale since September 2022, when it net sold \$10.3 billion worth of the greenback.

₹ vs \$ in inverted scale



The RBI bought \$27.5 billion while selling \$36.7 billion of foreign currency in October.

The rupee has depreciated 3.73 per cent in the current financial year, falling from 85 per dollar to 86 per dollar in 16 trading sessions.

The yield on the benchmark 10-year government bond softened by 3 basis points (bps) as traders bought bonds at attractive levels, said bond dealers. The one-year and five-year overnight interest swap rates also softened by 3 bps

and 1 bps, respectively, due to offshore paying.

“There is demand domestically. The yields (10-year benchmark yield) will not move beyond 6.85 per cent for the time being. Also, the RBI is expected to infuse liquidity with different measures, which is a positive for the market,” said a dealer at a primary dealership. Participants said the rupee has breached the 86 mark well ahead of expectations and appears poised to approach 87 per dollar soon.

Despite the RBI's recent CRR cut intended to ease conditions, the liquidity deficit continues to widen. The banking system faced a deficit of Rs 2.50 trillion on Monday, an eight-month high, the highest since May 21, 2024.

Experts said that India's foreign exchange reserves currently provide an import cover of 9.8 months as of the first week of January, down from 11.9 months in September.