

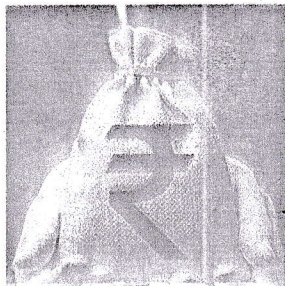
Rupee rebounds to 86.36 on weaker dollar

Our Bureau
Mumbai

The rupee rebounded on Wednesday, logging its biggest single-day gain in over seven months, supported by a weaker dollar, improvement in trade deficit and gains in domestic equity markets.

The Indian currency closed about 27 paise higher at 86.3625 per dollar against the previous close of 86.63. The closing level on Tuesday was an all-time low.

Amit Pabari, MD, CR Forex Advisors, observed that the rupee strengthened on Wednesday, driven by a confluence of strategic cent-



ral bank measures and improved economic indicators.

RBI INTERVENTION

"The Reserve Bank of India played a pivotal role in supporting the rupee through dollar-rupee buy/sell swaps across various maturities, including March, June, and

December. Improvement in trade deficit, which narrowed to \$21.94 b in Dec from \$32.84 b in Nov, boosted market sentiment

December.

"Unlike traditional spot dollar sales that tighten rupee liquidity, these forward transactions allowed the RBI to manage liquidity effectively without imposing additional strain on the banking system."

"This approach provided much-needed relief amid a significant liquidity deficit of

₹2.05 lakh crore," he said.

TRADE DEFICIT

Adding to the rupee's momentum was a decline in forward premia, with the 1-year forward yield slipping below 2.5 per cent.

This made holding the rupee more attractive relative to other currencies, further supporting its appreciation, said Pabari.

Further, improvement in India's trade deficit, which narrowed sharply to \$21.94 billion in December compared to the revised \$32.84 billion in November, boosted market sentiment, indicating a more favorable external balance for the Indian economy.