

Rupee logs best single day gain in almost 4 months

Our Bureau
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The rupee logged its best single day gain in almost four months on Wednesday, supported by strong central bank intervention and a weak dollar. The Indian unit closed at 88.0750 per US dollar, up about 73 paise, against the previous close of 88.81.

The RBI made its presence felt in the market through dollar sales by state-owned banks, buoying the domestic currency, according to market experts. They expect the rupee to sustain its gains in the near-term.

Amit Pabari, Managing Director, CR Forex Advisors, observed that the sharp appreciation in rupee was sparked by comments from US Treasury Secretary Scott Bessent, who hinted that to effectively counter China's growing influence, the US expects stronger cooperation from India and other allied nations.

He emphasised that these remarks fuelled hopes of an India-US trade deal taking shape, boosting investor sentiment and prompting a swift turnaround in the rupee.

"Sensing the positive momentum, the RBI likely stepped in to allow further appreciation, adding strength to the move. The backdrop was already favourable - growing expectations of US Fed rate cuts, falling US yields and persistent pressure on the dollar index (DXY) since the start of the year have all been tilting the balance in favour of emerging market currencies," said Pabari.

CRUDE OIL PRICES

Adding to the tailwinds, crude oil prices continue to soften, providing relief on India's import bill and improving the overall outlook for the rupee. The CR Forex



Advisors chief underscored that the only concern lately has been trade tensions with the US, but with Bessent's comments signalling renewed optimism, markets found fresh reasons to cheer.

Technically, after breaking below the key support level of 88.40, the rupee now looks set for further appreciation, with potential move extending towards the 87.50-87.20 zone. On the higher side, immediate resistance is placed around 88.40-88.50.

Abhishek Goenka, founder & CEO, IFA Global, noted that the rupee staged a remarkable comeback, rebounding nearly 73 paise from record lows to close around 88.075, as the RBI stepped in with decisive measures to counter possible speculative attacks on the currency.

"The central bank's aggressive dollar sales through state-run banks early in the session triggered a wave of short covering, swiftly reversing bearish sentiment that had built up over the past few days. This intervention highlights the RBI's strong commitment to ensuring orderly market conditions, and sends a clear message that it will not allow volatility to spiral out of control," he said.

Goenka highlighted that the sharp recovery was also underpinned by a broader weakening of the dollar following dovish remarks from Fed Chair Jerome Powell, which reinforced expectations of an imminent rate cut.