

RBI not targeting any specific ₹ level: Malhotra

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15 October

The Reserve Bank of India (RBI) does not target any price level on the rupee, Governor Sanjay Malhotra reiterated at an International Monetary Fund and World Bank event on Wednesday. The rupee has been in a firm downward trend, weighed by US President Donald Trump's trade policies, including tariffs against India, and geopolitical tensions.

The RBI's frequent interventions have kept the rupee from breaching its all-time low of 88.80, last touched on September 30.

"We believe in the markets to decide what the level should be... Our effort really is to ensure that there is an orderly movement of the rupee both sides, and any undue or any abnormal volatility is curbed," he said.

RBI GOVERNOR SANJAY MALHOTRA SAID THE RBI WANTS TO PROMOTE ITS CENTRAL BANK DIGITAL CURRENCY OVER STABLECOINS OR CRYPTOCURRENCIES

The RBI intervened heavily in the currency market on Wednesday to shore up the rupee, traders said, mirroring the central bank's moves to defend the local currency in February.

Malhotra also said the RBI wants to promote its central bank digital currency (CBDC) over stablecoins or cryptocurrencies. Earlier this month, the RBI launched a retail sandbox for CBDC, allowing fintech firms to build and test solutions as part of the ongoing pilot.

The Centre has for several years debated drafting a law to regulate cryptocurrencies but

has not made a final decision.

The RBI considers recent weakness in the rupee as driven by speculative attacks and is prepared to continue its market intervention until the currency settles at a stronger level, a person familiar with the matter said. It is selling dollars in both onshore and offshore markets after what it saw as speculative attacks by global fund managers on the rupee, the person familiar with the RBI's thinking said.

The RBI was alarmed to see the rupee nearing the 89 a dollar level in recent trading sessions, the person said, asking not to be identified when discussing internal matters. The central bank is unwilling to let the currency breach its record low of 88.8050 per dollar level anytime soon, the person said.

The currency rallied to 88.09 from 88.35 earlier in the session following the Bloomberg News

report. It closed at 88.07, up 0.8% from the previous close. The gains were the most in nearly four months.

"Instead of having to expend reserves to maintain rupee at that level, the RBI may have taken an approach of crushing the speculative longs for once, making its stance clear," said Abhishek Goenka, founder and chief executive of IFA Global.

The RBI will continue to intervene until it is satisfied that speculative positions have been unwound, the person said. A spokesman for the central bank didn't immediately respond to a request for further information. The rupee has been hovering near record lows for weeks. On Wednesday, it surged almost 1 per cent after the central bank went on the offensive following weeks of defending the currency, sparking speculation of a likely policy rethink.

The heavy intervention echoed a move in early February, when the authority sold billions of dollars, catching speculators betting against the rupee offguard. The rupee has largely flatlined over the past three weeks, with traders suggesting the RBI has been quietly acting to prevent it from sliding past the 89 to a dollar level.

If the rupee were to breach 89 to the dollar, that would take the currency into 90 territory, which is a psychological and technical level, the person said. RBI can't allow that to happen as the depreciation is owing to speculative attacks, and not because of economic fundamentals, the person said.

The currency's recent slide was owing to trade uncertainties between India and the US, but the central bank views this movement as overdone, the person said.

Even so, the RBI's active support brought back chatter about a possible shift in its currency management approach. Under Governor Sanjay Malhotra, the monetary authority has so far allowed the currency greater flexibility. His predecessor, Shaktikanta Das, had kept a tight grip on the rupee for nearly two years, curbing volatility relative to peers.

Wednesday's gain was partly fueled by optimism that New Delhi could conclude trade negotiations by next month, while a softer dollar on expectations of US Federal Reserve rate cuts gave the rupee an added boost. The RBI views the recent slide in the rupee as market participants trying to test its resolve, the person familiar with the matter said, noting that the central bank has ample firepower to defend any attack on the currency.