

₹ at 2-mnth high on better risk appetite

Indian currency appreciated over 1% vs \$ in 2023

MANOJIT SAHA

Mumbai, 13 April

The rupee hit a nearly two-month high against the dollar on Thursday following a decline in the dollar index, amid hopes of the US Federal Reserve nearing its rate-hike cycle after lower-than-expected CPI-based inflation numbers.

The domestic currency opened stronger at 81.97 versus a dollar, and hit an intraday high at 81.83, before closing at 81.85 – up 23 paise from its previous close. The dollar index fell to 100.90 (7.20 pm IST), while Brent crude traded slightly weak at \$87.01 per barrel.

“The dollar looks vulnerable despite the good US non-farm payroll data as the market factors in rate cuts in 2024 due to the expectation of a recession,” said Anil Kumar Bhansali, head of treasury, Finrex Treasury Advisors.

The Indian unit has been gaining against the greenback and has appreciated 1.08 per cent in 2023.

“The rupee took cues from the positive EM and DM currencies which gained nearly 0.50 per cent after a softened US CPI report, which hurt the DXY (dollar index). Backing the gains were robust FII flows into equities, bringing in over ₹7,300 crore, so far, in merely six sessions of April as risk-on sentiment takes over,” said Amit Pabari, managing director, CR Forex.

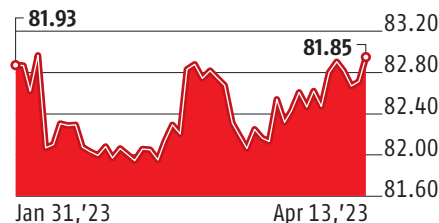
But further appreciation of the rupee could be capped because the Reserve Bank of India (RBI) might take the opportunity to build up foreign exchange reserves. The first months of 2023 saw the foreign exchange reserves going up by around \$16 billion to \$578.5 billion.

“...the latest prints of a widening trade deficit to nearly \$20 billion, coupled with surging crude and gold prices, and the RBI’s intervention on the buy-side are likely to limit the gains around 81.80 to 81.50 levels, if any,” Pabari said.



ON THE UPSIDE

₹ vs \$ (inverted scale)



Source: Bloomberg

“On the contrary, the USDINR is likely to move towards 82.50-82.80 levels due to geopolitical tensions and squeezing interest rate differential leading to bond outflows as the RBI pauses rate hikes; the Fed is expected to continue with the same (rate hike) at least by another 25 bps,” he added.

India’s merchandise trade deficit in March 2023 stood at \$19.73 billion, which was higher than the \$17.43 billion recorded in the previous month, according to government data released on Thursday.

“The Indian trade deficit, which was higher than last month, came at \$19.73 billion against \$18.53 billion a year ago. However, combining the service data, the deficit was at just \$ 6.03 billion. The data looks encouraging and can narrow the current account deficit of the country,” Bhansali added.