

# Rupee rises 29p on risk rally, spurred by dollar inflows

Bond yields plunge in line with slump in crude oil prices

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**THE RUPEE GAINED** 29 paise on Wednesday, marking its biggest single-day rise in more than a week, spurred by dollar inflows, as improved risk appetite drove a rally in equities while the greenback posted losses. Government bond yields declined, with the 10-year notes posting their biggest single-day drop in two months in line with the slump in crude oil prices.

The partially convertible rupee closed at 79.4450 in its best session since August 5. The currency had ended at 79.6550 on Friday. The money markets were closed on Monday and Tuesday. Dollar credits received by exporters following the long weekend, healthy risk mood and weaker oil prices helped rupee make up for last week's under-performance, traders said.

"After nine consecutive months of outflows, having witnessed nearly \$3 billion in foreign inflows so far in August despite global geopolitical and economic turmoil has been an achievement and the biggest supporting factor for the rupee," Amit Pabri, managing director at CRForex, said. "As long as the USD/INR pair remains in a consolidated range of 78.80 to 80.10, buy on dips and sell on uptick remains an ideal strategy to follow for near-term exposures."

Oil prices slumped to a six-month low to trade under \$92 per barrel after a series of soft data from world's major economies sparked concerns about a possible recession hitting crude demand. Climbing oil prices this

## Rupee vs dollar

Intra-day, Aug 17  
Inverted scale



## 10-year bond yield (%)

Intra-day, Aug 17



year had been one of the biggest factors weighing on the rupee as India is the third-biggest importer of the commodity with a substantial trade deficit.

Meanwhile, yield on 10-year government bond extended its fall to 7.1825% amid likely purchases from foreign banks after Goldman Sachs said it expects local bonds to be included in global indices in 2023. The yield, which was at 7.2894% on Friday, posted its biggest single-session fall since June 20. "Every factor was working in favour of bond bulls, while oil led to sharp opening gains, comments on index inclusion saw participation of foreign players, further leading to fall in yields," said Nandan Pradhan, deputy general manager, treasury, Cosmos Bank.

—REUTERS