

RBI steps in as ₹ slides on corporate outflows

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The rupee weakened 23 paise to settle at 79.68 per US dollar on Thursday as foreign banks heavily purchased the greenback on behalf of corporates looking to exit domestic investments, dealers said.

Dollar demand from banks on behalf of importers following a recovery in crude oil prices on Wednesday also weighed on the domestic currency, they said.

So far in 2022, the rupee has depreciated 6.7 per cent against the US dollar.

“There was pressure on INR as demand for greenback came from importers and excess supply a day before evaporated. Hence, I feel the USD/INR pair could consolidate within 79.5000-80.0000

levels in the short term,” Bhaskar Panda, executive vice-president (overseas treasury) of HDFC Bank, told *Business Standard*.

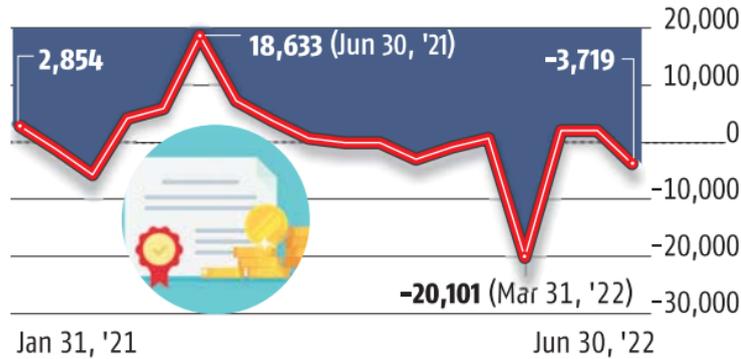
A portion of the corporate outflows on Thursday were attributed to Blackstone’s sale of shares worth close to ₹4,000 crore of Indian automotive firm Sona Comstar, the dealers said.

They said the Reserve Bank of India (RBI) had stepped in to support the rupee through dollar sales once the domestic currency weakened to the 79.70 per dollar mark. The rupee touched a low of 79.71 per dollar in Thursday’s trade.

The RBI has aggressively defended the rupee from excessive volatility ever since Ukraine’s invasion of Russia in late February sparked a global flow of investments to the safety of the US dollar.

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Net purchase/ sale of foreign currency (\$ million) by RBI



Source: RBI Bulletin

The latest data showed that the RBI net sold \$3.7 billion in the foreign exchange market in June. The RBI’s total headline foreign exchange reserves were at \$572.98 billion as on August 5, much lower than \$631.53 billion as on February 25.

The central bank’s defence of the rupee through dollar

sales has resulted in the domestic currency suffering a lesser degree of volatility than many other emerging market currencies over the past few months.

“The Indian rupee is among the best-performing currencies in the world, its depreciation among the least

in the face of the unrelenting strength of the US dollar,” said an article released in the RBI’s August 2022 Bulletin on Thursday. The article counts RBI Deputy Governor Michael Patra as one of its authors.

The US dollar index firmed up on Thursday as the minutes of the Federal Reserve’s July meeting indicated more rate hikes by the central bank. The index, which measures the US currency against six major rival currencies, was 106.68 at 3:30 pm IST as against 106.57 at previous close.

Government bonds also weakened sharply on Thursday as traders locked in profits on the view that a sharp rise in prices on Wednesday was overdone. Yield on the 10-year benchmark bond settled 5 basis points higher at 7.24 per cent on Thursday.