

RBI net bought \$ in forex mkt for 2nd month in Dec

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The Reserve Bank of India (RBI) net purchased \$3.8 billion in the foreign exchange market in December 2022, marking the second consecutive month in which the central bank acquired dollars.

The RBI bought \$12.81 billion and sold \$8.97 billion in the currency market in December, data in the central bank's February 2023 Bulletin showed. The RBI had net purchased US dollars worth \$4.36 billion in the domestic currency market in November 2022.

The RBI's outstanding forwards book also rose in December, climbing to \$10.96 billion from \$8.5 billion in November. This suggests that the RBI spread out its dollar buying interventions in the forwards segment too in order to bolster reserves.

The RBI's net outstanding forward purchase book is, however, much lower than \$65.79 billion at the end of the previous fiscal year. According to analysts, the RBI had the room to purchase dollars and

replenish its headline reserves in December as the Federal Reserve slowed down the pace of its rate hikes, leading to hope of the US central bank nearing the end of its monetary tightening cycle. Anticipation of an end to US rate hikes led to an easing in the dollar index, reducing pressure on emerging market currencies like the rupee.

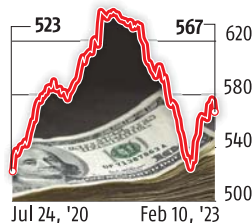
The RBI's reserves had reduced by \$100 billion from February to September of 2022, partially due to dollar sales as the central bank sought to shield the rupee from excess volatility amid the Ukraine war and the Fed's tightening cycle.

From June to October, the central bank sold dollars every month. In June, the net sales were at \$3.7 billion, followed by \$19.05 billion in July. In August, the RBI net sold \$4.3 billion, followed by \$10.36 billion in September and \$922 million in October.

In April and May of 2022, the RBI had net bought \$1.9 billion and \$2 billion, respectively, in the foreign exchange market.

FX reserves post biggest weekly fall in 10 mnths

DOWN \$8.3 BN \$ billion



Source: RBI

The RBI's foreign exchange reserves fell by \$8.3 billion to \$566.95 billion in the week ended February 10, marking the sharpest weekly fall since April 1, 2022. The reserves are at their lowest level since January 6, 2023. The fall for the second straight week was primarily on account of a fall in the foreign currency assets, which dropped \$7.1 billion to \$500.59 billion.