

₹ hits 1-month low ahead of Fed meet

India's forex reserves 2nd-highest among major nations

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Mumbai, 19 March

The rupee on Tuesday depreciated to its lowest point against the dollar in more than a month owing to a rise in crude oil prices and caution ahead of the US Federal Reserve's meeting outcome, scheduled to be released on Wednesday after market hours, said market participants.

The rupee settled at ₹83.04 against the previous close of ₹82.90. The last time the rupee touched ₹83 was on February 16.

"Because of the upcoming Fed meeting, there are jitters in the market. The Fed might sound hawkish and that is the reason we are seeing short covering, which might continue tomorrow as well," said Anindya Banerjee of Kotak Securities.

"The rupee could be between ₹82.90 and ₹83.10 until tomorrow evening," he added.

The dollar index, which measures the strength of the greenback against a basket of six major currencies, surged to 104.01, against the previous close of 103.41.

Meanwhile, the latest data by the Reserve Bank of India (RBI) showed India's foreign exchange reserves increased by \$57.6 billion this financial year, and that is the second-highest among major countries, after China. Some of the other major economies that hold dollars are Japan, Brazil, and Taiwan.

India's foreign exchange reserves stood at \$636.1 billion on March 8, 2024, covering 10.9 months of imports projected for 2023-24 and more than 100 per cent of external debt outstanding at the end of September 2023.

The RBI's dollar buy was a net \$1.95 billion in January, according to the monthly data released by the central bank on Tuesday. Over the month, the central bank bought \$10.4 billion and sold \$8.4 billion.

The RBI had recorded a net purchase of \$2.06 billion in the spot market in December.

The central bank was also the net buyer in the rupee forwards market in January.

Net outstanding forward purchases stood at \$9.9 billion by the end of January, highest since August 2023, against \$2.1 billion in December.

"As the RBI buys forwards, it can inject rupee liquidity into the market, which can influence domestic interest rates/overnight rates. Since banking system liquidity was in deficit, the call money rates had shot up high near the MSF [marginal standing facility] rate and buying forwards can be part of broader efforts to manage liquidity in the financial system and can be a tool to control the overnight rates," said Amit Pabari, managing director at CR Forex.

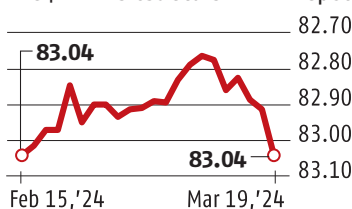
Headline foreign exchange reserves, excluding the forward book, stood at \$616.7 billion as of the end of January.

The rupee appreciated by 0.2 per cent in January. This financial year, it has depreciated by 1 per cent so far. It fell 7.8 per cent last financial year (FY23). However, in the current calendar year, it has appreciated 0.2 per cent. In the calendar year 2023, it had experienced a marginal depreciation of 0.6 per cent, which was the least volatility witnessed in nearly three decades.



DOWN AGAIN

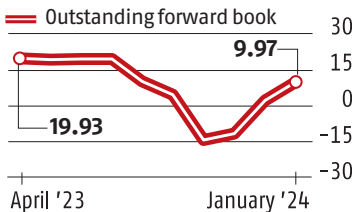
₹ vs \$ in inverted scale — ₹ spot



Source: Bloomberg
Compiled by BS Research Bureau

RBI'S FOREX INTERVENTION

\$ billion



Source: RBI