

Rupee closes at fresh low, falls below 83 vs \$

Analysts say RBI is allowing the depreciation amid wider CAD and higher US interest rates

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The rupee saw a sharp decline on Wednesday, breaching the 83 per dollar mark for the first time, amid hefty dollar demand from fuel companies and because the Reserve Bank of India (RBI) intervened less aggressively, dealers said.

A strengthening in the dollar and higher US bond yields added to the rupee's weakness.

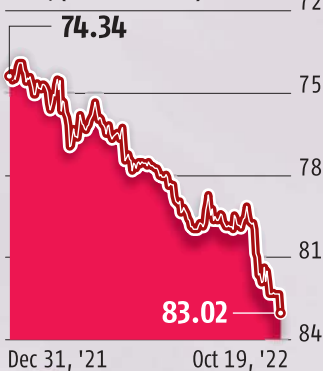
The domestic currency closed at 83.02 per US dollar, which was a decline of 0.8 per cent compared with the previous close of 82.36 per dollar. Before this, the rupee's record closing low was 82.36 per dollar, while the all-time intraday low was 82.72 per dollar. The Indian currency has shed 10.5 per cent versus the US currency so far in 2022.

"A couple of oil and gas public sector undertakings (PSUs) may have made dollar purchases of about \$1 billion. As the USD/INR was trading in a very narrow range of 82 to 82.40 for a couple of trading sessions, liquidity remained quite thin in the market," said Kunal Sodhani, vice-president of Shinhan Bank. According to dealers, on Wednesday, the RBI did not step in and sell dollars around the 82.40-82.44 mark, a level that it had protected in the six previous trading sessions. Since October 11, the rupee has moved within a range of 82.03 to 82.43 against the dollar.

With macroeconomic fundamentals remaining weak, the RBI's sudden absence led to a quick depreciation in the currency. Traders were said to have suffered successive technical losses once the rupee breached the 82.50 per dollar mark. This aggravated the fall. On Wednesday,

PILING PRESSURE

₹ vs \$ (inverted scale)



the rupee was among the worst performing emerging market currencies.

"Once the 82.40/\$1 mark broke, the rupee directly went and broke 83/\$1. People would have gone short (on the dollar) thinking that level (82.40-82.44) will get protected. Once that level broke, everybody came in and bought dollars. We saw a similar move when the RBI stepped back and the rupee broke past 80 and came to 82," said Bhaskar Panda, HDFC Bank's executive vice-president of overseas treasury.