

# Rupee's expected volatility hits lowest level since July

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**THE RUPEE'S EXPECTED** volatility against the dollar over the next one month hit its lowest level in almost seven months on Tuesday, tracking the currency's recent narrow trading range and on expectations of the continued support from the Reserve Bank of India.

The rupee's one-month at-the-money volatility was quoting at 4.50/4.80%, near its lowest level since late July last year. The slide in the OTC (over-the-counter) volatility comes alongside a plunge in realised volatility — measured in terms of the last ten days' closing price — to 2.2%, its lowest this year.

The rupee initially sold off after a much better-than-expected US jobs report on February 3. But, since then, it has held in a narrow range of 82.35- to 82.90 with the Reserve Bank of India likely intervening to prevent the currency from weakening past 83.

"The one-month and near-term vols (volatility) have seen the highest impact," said a derivatives trader at a private sector bank, declining to be named due to the

## Rupee vs dollar

Inverted scale



bank's internal policies.

The rupee's expected near-term volatility is the lowest among major Asian currencies. The Indonesian rupiah's one-month volatility is near 7.5%, the offshore Chinese yuan's at 6%, and at around 10% on the Thai baht and the Korean won.

Some market participants reckon the rupee's implied volatility mostly should be sold. "Rupee usually has been a short volatility trade as realised vols underperform implied volatility," Ashutosh Tikekar, head of global markets,

India, at BNP Paribas, said. "Very rarely would you see a long volatility trade perform, especially at the shorter end."

The trader mentioned earlier said a short vols trade at current levels given the hawkish repricing of the US Federal Reserve's rate path is "a bet that solely relies upon the RBI".

Meanwhile, the rupee depreciated 6 paise to close at 82.79 against the US dollar on Tuesday as the strength of the American currency in the overseas market and a muted trend in domestic equities weighed on the investor sentiment.

Traders said the inflow of foreign funds in the domestic equities market, however, supported the Indian currency.

Meanwhile, the dollar index, which gauges the greenback's strength against a basket of six currencies, was trading 0.01% higher at 103.87.

Global oil benchmark Brent crude futures declined 1.69% to \$82.65 per barrel.

FII's purchased shares worth Rs 525.80 crore, according to exchange data.

—REUTERS