

Rupee may strengthen to sub-80 per dollar in 2024

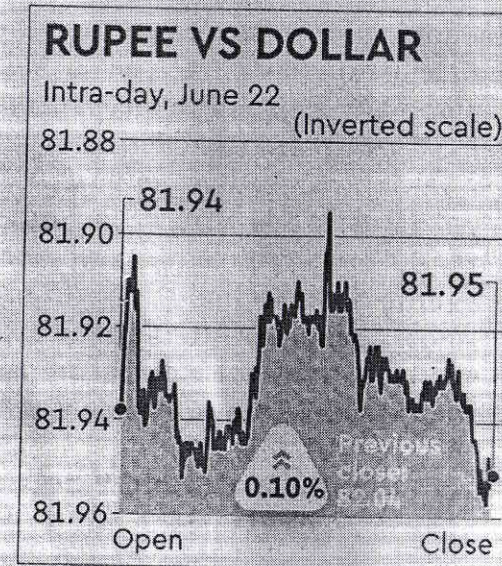
SIDDHI NAYAK & SWATI BHAT
Mumbai, June 22

THE RUPEE IS likely to strengthen beyond the 80-per-dollar level in 2024, helped by foreign inflows, while the benchmark 10-year bond yield could rise towards 7.20%, Bank of America's (BoFA) top India treasury executive told Reuters on Thursday.

"In my view, inflows through global capability centres (GCCs) will drive the rupee higher," said Jayesh Mehta, managing director and India treasurer at Bank of America.

"Even though merchandise exports will slow in the wake of a possible global slowdown, foreign inflows through GCCs, remittances and lower crude prices should be able to cushion the impact and help the rupee."

However, the Reserve Bank of India (RBI) will act as a "speed



breaker" and step in to reduce any undue volatility in the currency, Mehta said.

The rupee is up nearly 1% against the dollar so far this year against depreciation in most other Asian currencies. The unit is also

one of the best-performing currencies in the Asian pack during this period. The dollar index is down 1.4% in the same period.

The US Federal Reserve opted for a rate pause last week after raising rates over the previous 10 meetings but hinted at half of a percentage hike by the end of this year to combat inflation. However, analysts expect just one more 25-basis point hike in lending rates by the Fed.

The RBI, meanwhile, kept the policy rate on hold for two consecutive meetings through June and is widely expected to maintain the status quo at 6.50% for the rest of the year.

Since a large proportion of the foreign inflows is into Indian equities, the narrowing interest rate differential with the United States should not worry investors, Mehta said.

— REUTERS