

₹ weakens after breaching 81/\$

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After strengthening to an almost two-month intraday high and breaching the psychologically significant 81 per dollar mark, the rupee saw an erosion of gains and ended weaker versus the greenback on Monday, as importers rushed to buy the US currency at relatively lucrative levels.

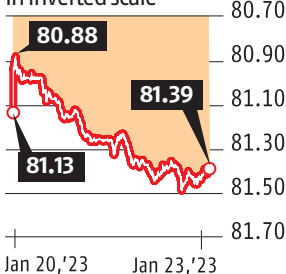
The rupee, dealers said, also reversed gains because of likely dollar purchases by the Reserve Bank of India as it sought to replenish its foreign exchange reserves, currency traders said. The domestic currency closed at 81.39 per dollar on Monday, against 81.13 per dollar on Friday. Intraday, it had strengthened to 80.88 per dollar, breaching the 81 per dollar mark for the first time since December 1, *Bloomberg* data showed.

The domestic currency gained sharply in early trade as the dollar index weakened sharply following a surge in the euro, which gained on expectations of sharp rate hikes in the Eurozone to battle inflation in the area.

The recent slew of US economic data showing a decline in inflation, slower retail sales, and slowing industrial production has strengthened the view that the Federal Reserve will

₹ VS \$

In inverted scale



Source: Bloomberg

reduce the pace of its rate hikes. Consequently, the dollar index has declined to a near seven-month low.

The index was at 101.69 at 3:30 pm IST on Monday, against 102 at the previous close. While the global weakening of the dollar bolstered the rupee in the first couple of hours of trade, its gains did not sustain as importers, especially oil companies, rushed to lock in dollar purchases towards the end of the month. Relatively low dollar-rupee forward premia — which represent the hedging cost for importers — added to dollar demand, dealers said.

Dealers also pointed to the RBI, which over the past couple of months has been rebuilding its foreign exchange reserves, which fell sharply from June to October of 2022.