

Forex kitty swells to \$609 billion, nears 16-mth high

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Mumbai, 21 July

India's foreign exchange reserves increased by \$12.74 billion to \$609 billion for the week ended July 14, 2023. This is the highest level of reserves since March 25, 2022.

The \$12.74 billion increase is the highest weekly rise in four months. Foreign exchange reserves rose \$12.79 billion for the week ended 17 March 2023.

The total reserves touched \$600 billion for the first time since May 12, 2023.

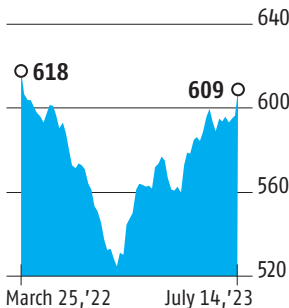
The rise in the reserves for the third straight week was mainly on account of a rise in foreign currency assets, which went up \$11.2 billion to \$540 billion in the previous week.

The reserves rose by \$36 billion in the last one year. In the first six months of 2023, forex reserves increased by around \$33 billion. Reserves were \$562.8 billion as on December 30, 2022.

The Reserve Bank of India (RBI) has been actively intervening in the foreign exchange market through its dollar buys. It has absorbed a high amount of inflows received by the equity market in the last couple of months. This is on the back of robust domestic macroeconomic fundamentals.



FOREX EXCHANGE RESERVES (\$ BILLION)



Compiled by BS Research Bureau
Source: RBI

Foreign portfolio investors poured in more than \$337 billion into India in July, according to data by the National Securities Depository Limited. In the last four months, India has witnessed robust foreign inflows of more than ₹1.5 trillion. Furthermore, there was an increase of \$2.5 million in special drawing rights, reaching a total of \$18.5 billion.

Strong FPI inflows spur ₹, govt bonds reverse losses

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Strong foreign inflows mitigated the rise in dollar index, and the rupee settled 3 paise higher at ₹81.96 against the dollar on Friday.

The Indian currency ended at ₹81.99 per dollar on Thursday.

Dealers speculated that the Reserve Bank of India (RBI) intervened in order to contain volatility. It bought the Greenback to keep the Indian unit around ₹82 per dollar. The dollar index rose up to 101.06 during the trading session.

The index measures strength in the Greenback against a basket of six major currencies. This development has raised expectations that the Federal Reserve may continue to increase interest rates should the economy sustain its resilience.

Meanwhile, the government bonds reversed losses, and settled off the day's lows as traders stocked up at psychologically-crucial yield levels. The benchmark 10-year bond settled at 7.08 per cent yield on Friday.