

BIAS REMAINS NEGATIVE AMID FOREIGN FUNDS OUTFLOW

Rupee rebounds on RBI support

● A 3%-3.5% annual drop is typical, says RBI governor

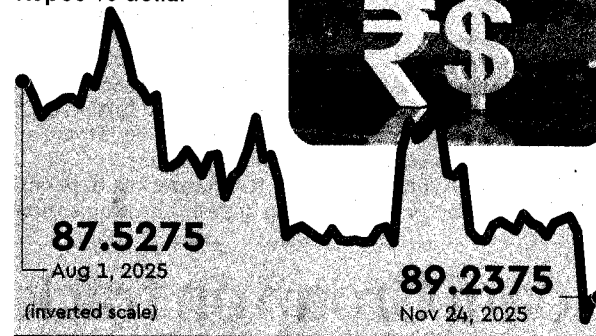
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Mumbai, November 24

THE RUPEE REBOUNDED on Monday from the all-time low as the Reserve Bank of India (RBI) came back to defend the currency, said traders. However, the sentiment remains weak due to delay in the US-India trade deal.

The rupee rose 17 paise to 89.24 on Monday. It opened at 89.14 compared to the previous close of 89.48. On Friday, the domestic currency breached the 89-level for the first time, hitting a record low. Followed by the defence from the RBI on Monday, the rupee was the second-best performing currency on Monday after the Singapore dollar. So far in FY26, the currency has fallen 4.42%.

URNS AROUND

Rupee vs dollar



"The rupee gained on likely intervention from the central bank and inflows related to the MSCI index rebalancing," Dilip Parmer, research analyst, HDFC Securities, said. The bias, however, remains weak amid foreign fund outflows, widening trade deficit and stronger dollar index against the major currencies, he said.

The dollar index has been strengthening since last week, crossing the 100-mark, com-

pared to 97 in September. Market participants said that a rise in the dollar index will also weigh on the domestic currency going ahead. However, they expect the RBI to delay the 90-level break for a few more weeks.

"After the morning offshore intervention by the RBI, exporters have also turned active in order to hedge some portion of their exposure between 89.20 and 89.30 lev-

els," said the treasury head at a foreign bank. He added that importers were also seen around 89.08 levels. One-year forward premium has moved up, reflecting the demand from importers as well. The RBI was active both in the spot market and non-deliverable forwards.

In an interview with a TV channel on Monday, RBI Governor Sanjay Malhotra said the recent weakness in the currency is a natural outcome of inflation gap with advanced economies. A 3%-3.5% annual drop is typical for the currency, he said, adding that the RBI's focus is on curbing the excessive volatility, rather than defending any specific level.

According to Parmer, the rupee has resistance at 89.50 and support at 88.80 in the near term. If a trade deal delays further, the rupee may breach the 90 level, said currency traders. On the other side, the currency will retrace to the 88 level on an announcement of the trade deal.