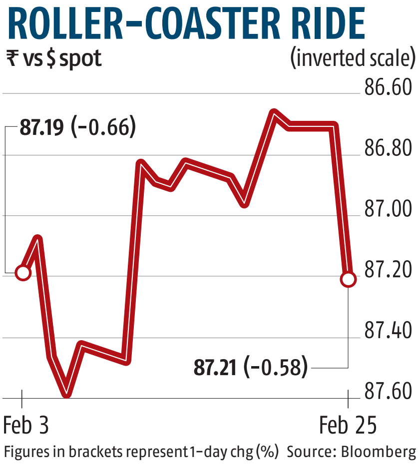
₹ records steepest single-day fall in 3 weeks against $



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The rupee on Tuesday recorded its steepest single day decline in more than three weeks — since February 3 — as the Reserve Bank of India (RBI) settled around $5-6 billion offshore forward contracts that were set to expire, said dealers.

The currency depreciated by around 50 paise or 0.58 per cent to settle at 87.21 against the dollar, as compared to the previous close of 86.71 per dollar. The rupee has depreciated by 4.31 per cent in the current financial year so far. In the ongoing calendar year, the domestic currency has witnessed 1.81 per cent decline against the greenback.

"There were expiries in the non-deliverable forward (NDF) market, which weakened the rupee. The expiry was of around $5 billion-$6 billion. Of this, futures expiry amounted to $2.6 billion and the rest was NDF," said Abhishek Goenka, chief executive officer at IFA Global.

The rupee has been stable in the past three weeks, owing to the heavy intervention by the RBI on 10-11 February when it sold around $12-14 billion in the spot market.

"The RBI could have intervened but they didn't, stop losses got triggered and rupee weakened further because the dollar was not that strong globally, except India," Goenka added.

The rupee was the worst performing Asian currency on Tuesday after Thai baht, which fell by 0.60 per cent against the dollar. The domestic currency has depreciated by 0.68 per cent against the dollar in February, so far.

According to the latest data by the RBI, the central bank's net short position in the forward market stood at $67.9 billion by the end of December. In October, the RBI's position in the forward book ballooned to around $49 billion from $15 billion in the previous month. It further jumped to $59 billion in November. By January end, it was expected to swell to $80 billion -$85 billion.

Market participants said the RBI did not intervene in the spot market, which contributed to further pressure on the local currency.

"The RBI did not roll over the contracts that were maturing on Tuesday and they did not come to the spot," said a dealer at a state-owned bank. "There was demand for dollars from importers. There are expectations the RBI will accept the upcoming contracts, which is leading to hedging too," he added.