

Forex reserves, rupee sit on opposite poles

₹ settled at fresh low of 83.43/\$, forex kitty swelled to record high of \$642.49 bn

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The rupee on Friday hit a fresh closing low after depreciating 0.3 per cent against the dollar due to importers' demand for the greenback and tracking Asian peers even as the country's foreign exchange reserves hit an all-time high.

The Indian currency settled at ₹83.43 as compared to ₹83.16 on Thursday. The previous record closing low was on December 13 last year, when the rupee ended at ₹83.40.

Market participants said the Reserve Bank of India (RBI) did not intervene in the foreign exchange market, which led to the sharp depreciation in the local currency towards the end of the trading hours.

"There were three factors. The first was the weakness in the yuan. Then there was a bit of dollar shortage, which was brewing for the past one week. But the main factor was that the RBI was not there in the market," said Anindya Banerjee, vice-president, currency derivatives and interest rate derivatives, Kotak Securities.

"When the spot closed at an all-time low, we saw quite a bit of short covering in the futures after that. So I think the RBI was possibly thinking that Tuesday will be the last spot date in the financial year. That may help the exports to get a better rate. So we could see the RBI intervene heavily on Tuesday," he added.

The Indian unit had hit ₹83.48 on an intraday basis on November 10 last year.

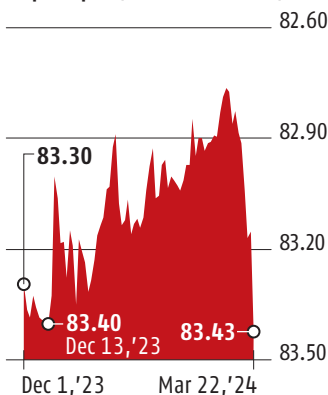
India's foreign exchange reserves rose to a record high of \$642.49 billion in the week ended March 15, the RBI data showed on Friday. The reserves rose by \$6.4 billion in the week. The previous high was \$642 billion on September 3, 2021. Dealers said the central bank did not roll over and took delivery of the \$5 billion dollar/rupee swap, which matured on March 11. That may have boosted the reserves.

The central bank's accumulation of foreign exchange reserves this financial year is the highest after China's among reserve-holding countries.

The reserves rose on the back of an

CASH DRAIN

Rupee spot (In inverted scale)



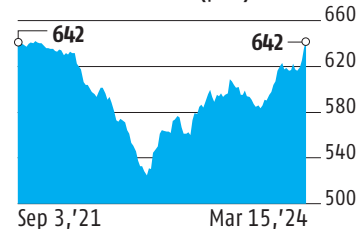
% Chg

FYTD	-1.495
CYTD	-0.259
MTD	-0.613



TOP SPOT

India forex reserves (\$ bn)



Source: RBI, Bloomberg; Compiled by BS Research Bureau

increase in foreign currency assets, which increased by \$6.03 billion in the week. Foreign exchange traders said the RBI bought dollars heavily in the spot market in the week, absorbing the robust inflows in both debt and equity ahead of the inclusion of government bonds in global indices.

The dollar index, which measures the strength of the greenback against a basket of six major currencies, rose by 0.4 per cent to 104.39 on Friday as the data released on Thursday showed that US initial jobless claims fell and existing home sales rose to a one-year high in February. In the past week, the rupee showed notable volatility. It fell by 0.7 per cent in the week, marking its sharpest decline in seven months.

"Despite the dovish view on interest rates in the US, specific data-driven interest rate cuts are still distant. The rupee's range can be expected to be between ₹82.85 and ₹83.55, with volatil-

ity likely to persist," said Jateen Trivedi, vice-president and research analyst, LKP Securities.

The rupee has witnessed 0.6 per cent depreciation against the greenback this month. It had appreciated by 0.2 per cent in February on the back of robust inflows.

This financial year, the rupee has depreciated by 1.5 per cent, whereas in the current calendar year it has depreciated by 0.3 per cent so far. It fell 7.8 per cent in the previous financial year. In the calendar year 2023, the Indian currency had experienced a marginal depreciation of 0.6 per cent against the greenback, marking the least volatility witnessed in nearly three decades.

"The dollar index rose and so many stop losses were triggered," said a dealer at a state-owned bank. "The RBI was there in the morning, but it was absent from the market around the closing time, which is the main reason the rupee broke the level," Trivedi added.