

RBI stocks up \$, pulling ₹ back from 6-month high

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Mumbai, 25 July

After jumping 14 paise to near six-month high versus the dollar in early trade on Tuesday, the rupee lost ground as the Reserve Bank of India (RBI) bought the greenback to contain volatility in the foreign exchange market, dealers said. The Indian unit settled at 81.87 per dollar, down 4 paise, following the RBI intervention amounting to over \$1 billion.

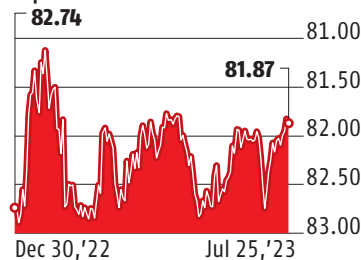
In early trade, the rupee witnessed its highest intraday rise in more than two months as the dollar weakened against other currencies, too, in overseas markets.

However, the RBI intervened and the rupee hit the 81.90 level in intraday trade. The rise in crude oil prices further weighed on the Indian currency. "The RBI intervened quite aggressively and by a larger amount -- more than \$1 billion," said Anindya Banerjee, vice-president-currency derivatives & interest rate derivatives, Kotak Securities. "Today (Tuesday), I believe they



RECORD HIGH

Rupee vs dollar in inverted scale



Source: Bloomberg; Compiled by BS Research Bureau

bought in both spot and forwards markets," he said.

Dealers expect the rupee to move in the 81.70-82.20 range on Wednesday, ahead of the US Federal Reserve's decision scheduled after market hours. The market largely expects the US rate-setting panel to go for a 25-basis point hike. Investors would eye comments from the members of the committee for further guidance.

"The RBI has firmly established a floor around the 81.60-81.70 per dollar levels and has been building its forex reserves, which recently surpassed the \$600-billion mark. Escalating

crude oil prices and increased dollar demand from oil importers contributed to the rupee's weakness, ultimately leading to a 0.05 per cent decline, concluding the session at 81.87," said Abhishek Goenka, chief executive officer at IFA Global.

The central bank 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 past couple of months.

India's foreign exchange reserves increased by \$12.7 billion to \$609 billion in the week

ended July 14. The rise in the reserves was mainly on account of a rise in foreign currency assets, which went up \$11.2 billion to \$540 billion in the week.

The reserves touched the highest level since March 25, 2022. Total reserves touched \$600 billion on May 12 after more than a year.

India's forex reserves hit an all-time high of \$645 billion in October 2021. The kitty shrank to \$525 billion in October 2022 following the central bank's intervention to protect the currency, which saw volatility following the Ukraine war and sharp interest rate hikes in advanced economies.

The RBI has been able to recoup the losses in 2023 following healthy inflows. In the first six months of 2023, forex reserves have increased by around \$33 billion. Foreign portfolio investors poured more than \$337 billion into India in July, according to data from the National Securities Depository. In the past four months, India has witnessed robust foreign inflows of more than ₹1.5 trillion.