

Rupee nears all-time closing low; RBI steps in

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THE RUPEE FELL to 83.45 against the dollar on Wednesday – lower than the all-time closing low of 83.43 on March 22 – as the year-end demand from importers created a shortage of the greenback. However, it closed 83.38 per dollar, reflecting a fall of 9 paise.

According to currency traders, the sharp fall during the day forced the Reserve Bank of India (RBI) to step in to stem the fall.

“RBI stepped in today by selling dollars to reduce sharp volatility in rupee. The central bank intervention was on expected lines because while it has stated that it does not target any level, but it aims to curb sharp volatility,” said Kunal Sodhani, vice-president-treasury, Shinhan Bank.

He added that the central bank has been absorbing inflows coming from both debt and equity which is visible from all time high forex reserves data.

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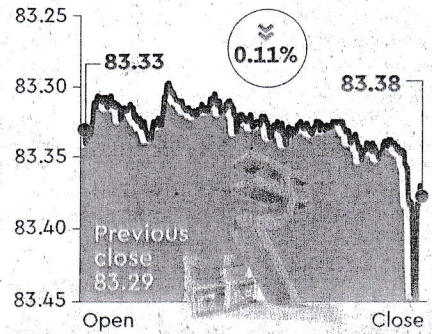
GLOBAL TREND

■ The rupee fell to 83.45 against the dollar – lower than the all-time closing low of 83.43 but closed at 83.38 per dollar.

■ The rupee followed global trend as nine out of 12 Asian currencies depreciated against the dollar. It has fallen 0.20% YTD – the second lowest in Asia.

RUPEE vs DOLLAR

Intra-day, Mar 27 (Inverted scale)



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“THE YEAR-END demand from importers for dollars created shortage for currency. Also, rupee has fallen in line with other currencies, as most of the Asian currencies, including yuan, have fallen against US dollar,” Harsimran Sahni, EVP – Head Treasury, Anand Rath Global Finance said.

The rupee followed global trend as nine out of 12 Asian currencies depreciated against the US dollar. In fact, the Indian currency was better performer than other currencies as it fell 0.30% on Wednesday while other Asian currencies depreciated 0.02- 0.88%.

This follows the overall trend where the rupee has been one of the better performers since the beginning of the year. It has fallen 0.20% year-to-date – the second lowest in Asia. Only the Hong Kong

dollar has performed better, falling 0.15%. The Japanese yen and Thai Baht have performed the worst, crashing over 6%. During the day's trading session, the rupee was also pressured by weakness in the offshore Chinese yuan and the Japanese yen.

RBI has accelerated its forex purchases in recent weeks buying a total of \$20 billion since the start of February, which has boosted its reserves.

It has also added liquidity in the banking system. The central bank's actions have added about ₹1.5 trillion of liquidity to the domestic banking system since the start of February, helping ease a broader liquidity crunch. Even with this large injection, though, liquidity in the banking system is still running a deficit of ₹1.4 trillion as of March 22.