

# Probable RBI support averts new low for ₹

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Market participants stated that the Reserve Bank of India's (RBI's) likely intervention in the foreign exchange (forex) market on Wednesday prevented the rupee from reaching a record low. The Indian unit depreciated by 7 paise against the US greenback, settling at 83.33 per dollar after touching an intraday low of 83.45 per dollar.

The rupee had hit a record low of 83.48 (intraday) against the dollar on November 10, 2023.

"The rupee has seen an abrupt depreciation in the past two/three trading sessions due to Chinese yuan depreciation adding pressure on emerging economies' currencies," said Harsimran Sahni, executive vice-president and head of treasury at Anand Rathi Global Finance.

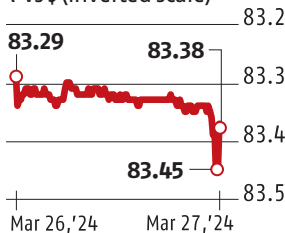
"Forex reserves are at an all-time high as the RBI has been adding forex in the past few months, leading some market participants to cut their short positions, thereby unwinding the dollar/rupee short trade. Foreign portfolio investors with unhedged rupee exposure have been selling government bonds after the rupee weakened, adding pressure on the rupee," said Sahni.

According to RBI data, India's forex reserves stood at \$642.49 billion as of March 15, 2024. The rupee had settled at a record closing low of ₹83.43 against the dollar on Friday. Market participants speculated that the RBI did not intervene in the forex market towards the end of the trading hours on Friday, leading to a sharp depreciation in the local currency.



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₹ vs \$ (inverted scale)



Source: Bloomberg

"The rupee volatility will continue with weakness visible in the rupee. RBI intervention shall keep the rupee somewhat supported on a fall towards 83.5. The range of 83.2-83.55 can be seen in the rupee," said Jateen Trivedi, vice-president, research analyst, LKP Securities. Market participants expect the volatility in the rupee to continue on Thursday. "Thursday being the last day of the financial year, we may see some selling in \$/rupee but expect dollar bids at all lower levels. Asian currencies are well-bid, and the market will be closed for two days on Friday and Monday. The RBI will be present to protect the rupee from falling below the 83.4 level, but it will be a wait-and-watch story. At the time of writing Wednesday's closing views, NDF was quoting at 83.35, probably well protected by RBI," said Anil Kumar Bhansali, head of treasury and executive director at Finrex Treasury Advisors LLP.