₹ slips to 92 vs $ before RBI pulls it back slightly

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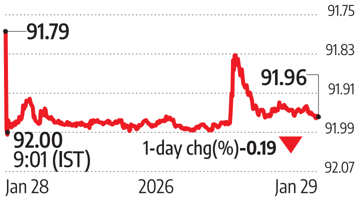
The rupee touched a new intraday low of 92 against the greenback on Thursday, weighed down by dollar demand arising from the maturity of non-deliverable forward contracts and month-end demand from importers, dealers said. The Reserve Bank of India is believed to have intervened in the foreign exchange market through dollar sales, helping to prevent the domestic currency from exceeding the psychologically significant 92-per-dollar level.

The Indian currency settled at 91.96 per dollar, compared with its previous close of 91.79. So far in the current financial year, the rupee has depreciated 7.05 per cent, making it the worst-performing Asian currency. In January alone, it has declined 2.26 per cent against the dollar.

Other Asian currencies also weakened, tracking a rise in the dollar index, which climbed to 96.34 from a previous close of 96.16. The dollar index

A new low



Source Bloomberg Compiled by BS Research Bureau

measures the strength of the greenback against a basket of six major currencies. The Philippine peso fell the most, depreciating 0.34 per cent, followed by the Thai baht, which declined 0.29 per cent.

"There were some forward maturities apart from hedging activities which put the rupee under pressure," said a dealer at a state-owned bank. "The pressure will continue along with RBI's intervention to keep the movement orderly."

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According to the latest data, the central bank's outstanding net short dollar position in the rupee forward market rose to $66.04 billion by the end of November, compared with $63.6 billion at the end of October.

Of the $66 billion net short dollar position, $18.8 billion was in one-month contracts, $16.8 billion in one- to three-month tenures, $2.1 billion in positions set to mature between three months and one year, while the remaining $28 billion was in contracts with maturities of more than a year.

The rupee has remained under pressure amid persistent foreign outflows and a corporate rush to hedge against further depreciation. "The rupee remained under pressure due to selling by FPIs in debt as well as equities, though the movement today was limited within a range of 18 paise as the RBI was present selling at 92 levels today (Thursday)," said Anil Kumar Bhansali, head of treasury and executive director at Finrex Treasury Advisors LLP.

With a trade deal still proving elusive, foreign portfolio investors remain underweight on India, exerting sustained pressure on the rupee. While the central bank can take steps to moderate the pace of depreciation, it cannot alter the currency's broader trajectory unless underlying structural factors improve, experts said.

A segment of the market remains optimistic about the prospects of a trade agreement with the US by the end of March, which they believe could lead to an appreciation of the local currency to around 90 per dollar by the end of the current financial year. However, another section of the market expects the rupee to weaken further to around 92.50 per dollar by the end of the financial year, as prospects of a trade deal with the US appear dim.