

Rupee briefly breaches 96/\$ mark, but pulls back

CURRENCY COMFORT. RBI intervention and easing crude oil prices stabilise the unit

Our Bureau
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After briefly breaching the psychologically crucial 96 to the US dollar mark, the rupee pulled back to close unchanged on Tuesday, supported by dollar selling by banks, likely at the behest of the Reserve Bank of India and foreign portfolio investors, and a slight thaw in crude oil prices.

The rupee, which opened weaker at 96.05 per dollar, tested a high/low of 95.95/96.15. It closed at 95.98, unchanged from the previous day's level.

"USD/INR's attempts to decisively break above 96 have been thwarted by the central bank's steady intervention, but upward pressure was relentless on Tuesday in the midst of exogenous triggers. Testament to this: foreign reserves declined sharply by \$14.9 billion over the past week to \$765.9 billion," said Radhika Rao, Senior Economist (South Asia and



Rupee trend



South-East Asia) & Executive Director, DBS Bank.

GLOBAL PRESSURE

Rao emphasised that the authorities see reserve accumulation as a means of defending market stability, reducing the risk that a break of key rupee levels would trigger a larger correction driven by hedging flows and

speculative positioning. Global drivers will continue to exert depreciation pressures on the local unit this week, she added.

Dilip Parmar, Research Analyst, HDFC Securities, said the rupee started the day under pressure, briefly cracking the 96 per dollar level before clawing back lost ground. Swift RBI action, a

pullback in global crude and equity index rebalancing driven foreign inflows restored stability.

"Looking ahead, the pair's direction will remain heavily influenced by what happens with oil and broader global risk dynamics. From a technical standpoint, spot USD/INR encounters resistance at 96.30, while 95.80 serves as a support," Parmar said.

Madan Sabnavis, Chief Economist, Bank of Baroda, observed that the large inflows of dollars through FCNR-B (foreign currency non-resident - bank) deposits and ECBs (external commercial borrowings) had not quite pushed up the rupee as the dollars reside with the RBI.

Sabnavis said that in the current situation, a range of ₹94.5-96 looks likely in the near term.

Sharp appreciation, which theoretically should have been the case, had been checked as the dollar inflows have not been infused into the market but added to the reserves.