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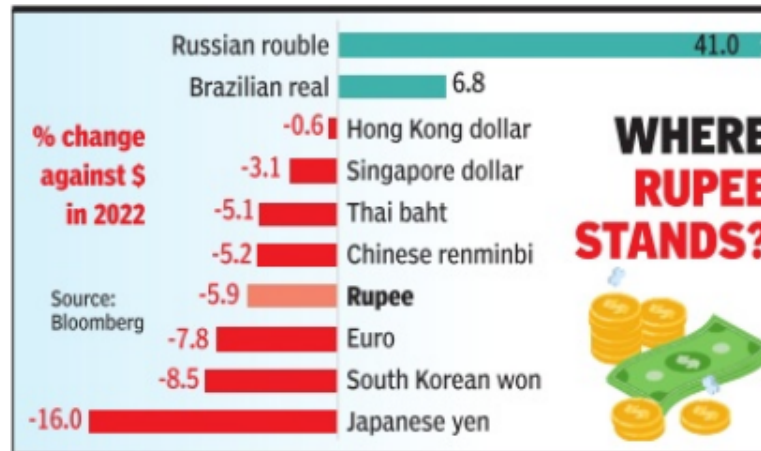
THE TIMES OF INDIA

Rupee hits 79 for 1st time in post-trade, ends at 78.97

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MUMBAI: The rupee breached for the first time the 79 level in post-market trade on Wednesday. The fall came even as the Reserve Bank of India (RBI) managed to defend the domestic unit from breaching the milestone level earlier in the day for most of the trading hours. Dealers said that there were post-market trades at the 79.02 level as the dollar continued to gain strength globally.



The domestic currency has lost almost 6% during the current year with a third of the losses in the month of June. Dealers said that there was demand from multinational banks on behalf of foreign institutional investors, while public sector banks purchased dollars for importers including oil companies. The RBI was understood to be selling the greenback through public sector banks.

On Wednesday, the currency opened weak and touched a low of 78.97 at close of trade. "Tomorrow (on Thursday) whether the rupee stays above 79 or recovers would depend on oil prices and overall dollar strength - we have seen the relationship play

out. It is the oil prices which will determine the worsening current account deficit. Unless oil prices really come off, there is no reason for the rupee to reverse its movement," said DBS Bank head (treasury & markets) Ashhish Vaidya.

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While the weakening of the rupee has accelerated in June, the movement has been orderly. The RBI has managed to ensure that there are no wild swings in the exchange rate by selling billions of dollars from its reserves. Dealers said that the dollar surge could slow if either oil prices come off, or there is some resolution in sight for the war in Ukraine, or there are indicators that major economies can stave off a recession.

"In financial markets, the bottoming out happens in flashes, usually after a major panic and when there is pessimism all around. At present, there is no panic and participants in the market will have to go with the trend," said Vaidya.

During the current year, the rupee has been an outperformer among Asian currencies. But the decline in the last week has made it underperform relative to the currencies of Singapore, Indonesia, Thailand, China and Malaysia. Also, India is the only major emerging market with a large current account deficit and, unlike other emerging markets, does not have major trade gains arising out of currency depreciation.