

# Rupee Sinks to Its Lowest Against Dollar

## Losing Currency

Currency	1-Day Movement (%)
South Korean Won	-0.03
Indonesian Rupiah	-0.12
Malaysian Ringgit	-0.24
Singapore Dollar	-0.24
Russian Rouble	-0.36
Chinese Renminbi	-0.37
Brazilian Real	-0.58
<b>Indian Rupee</b>	<b>-0.69</b>
South African Rand	-1.33
Turkish Lira	-2.84



SOURCE  
Bloomberg/  
ETIC  
Database

### Heavy dollar buying by state-run banks hits currency

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**Mumbai:** The rupee plunged to an all-time low versus the dollar on Wednesday as state-owned banks aggressively bought the greenback while weak emerging markets sentiment clouded the outlook for the local currency.

The rupee hit an all-time intraday low of 70.64 to the dollar before ending at 70.59. Dealers and currency experts believe the we-

akness will continue as the dollar rises against world currencies and demand for the greenback remains strong.

State-owned banks are believed to have bought millions of dollars for defence purchases and oil payment. Weak emerging market sentiment also weighed on the rupee with the Argentinian peso, South African rand and the Turkish lira all falling.

Re Lost About 1% >>> 8

## Re Lost About 1% in Past 4 Trading Sessions

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Month-end expiry of exchange traded futures contracts too added to dollar demand as traders were seen buying dollars to close one-month futures contracts. "The dollar has been aggressively bid against the Asian currencies," said Ashish Vaidya of DBS Bank. "The impact on the rupee was higher vis-à-vis other Asian/EM peers, mainly due to factors like futures expiry, month-end dollar demands and offshore dollar needs. If domestic dollar demand sustains, the rupee may extend losses further," he said.

Some large banks are said to have mopped up dollar stock in past two-three days as they need to supply dollars to the government or corporate clients, who are paying for defence equipment purchases or oil imports, which are normally paid towards the end of the month.

The rupee has lost about 1% in the past four trading sessions.

"In past three days some state-owned banks have been buying dollars, primarily driven by a combination of factors," said KN Dey, founder at United Financials, a Mumbai-based forex firm.

"This has led to speculation among traders, who are now fearful about an extended rupee rout with this additional dollar demand weighing on the rupee. If such dollar purchases are sustained without regulatory intervention, the rupee may slide more," he said.

The gap between the overseas derivative market, known as non-deliverable forwards in market parlance, and domestic forwards, has expanded with offshore one-month and two-month contracts quoting nine and 13 paise compared with six and nine paise last week.

This reflects higher dollar de-

mand. The rupee has lost 9.5% this year to the dollar and is one of the worst performing emerging market currencies.

The Reserve Bank of India is suspected to have intervened recently in the market as some state-run banks were seen selling dollars towards the end of market hours. The central bank is estimated to have sold about \$300 million in the futures market, dealers said.

"The central bank looks to have controlled the market when the rupee was plunging much more than other peer currencies," said Anindya Banerjee, currency analyst at Kotak Securities. "If global investors go on risk-off mode, the rupee may face further slide as foreign portfolio investors may junk all emerging market securities."

The extended slide of Turkish lira and South African rand is spooking global investors and the outlook remains cloudy.