

# Rupee rises 5p to 69.62 despite crude oil concerns

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**THE RUPEE ON** Tuesday recovered from the day's lows to close higher by 5 paise at 69.62 against the US dollar on some dollar selling by banks and exporters.

However, subdued equity market sentiment and a stronger dollar against its key rival currencies limited the rupee's gain, forex dealers said. At Interbank Foreign Exchange, the rupee opened strong at 69.63 a dollar and touched a high of 69.53 in early trade.

The local currency erased its gains and dropped to a low of 69.83 as crude oil prices extended their Monday's rally, triggering inflationary and fiscal slippage concerns. Crude oil prices rose to multi-month highs on Monday after the Trump administration decided not to renew waivers that let countries like India buy Iranian oil without facing US sanctions.

Analysts said oil prices have gained on fears that markets might face an immediate supply crunch following the US decision while oil touching \$80 per barrel was a possibility.

For bond markets, the worry is two-pronged with the concern being that high oil prices might pose a fresh risk to the fiscal math, if subsidies return, by extension requiring higher borrowing, said the duo, a report by Economist Radhika Rao and FX Strategist Philip Wee of the DBS Group Research said.

A report by Care Ratings suggested that a permanent increase in crude oil prices by 10% under ceteris paribus conditions could translate into the current account deficit increasing by 0.4-0.5% of GDP while the rupee can weaken by 3-4% on an annual basis.

Some dollar buying by exporters, however, helped the rupee recover its lost ground at the fag-end. The domestic currency finally settled at 69.62, up by 5 paise



over its previous close. The rupee on Monday had plunged by 32 paise to close at a two-week low of 69.67 against the US dollar following a spike in crude oil prices.

India will stop importing crude oil from Iran following the US move to end sanction waivers, and will use alternative supply sources such as Saudi Arabia to make up for the lost volumes, top officials and industry sources said Tuesday.

Global benchmark Brent crude climbed to a multi-month high of \$74.25 per barrel, representing a 0.28% rise. The BSE Sensex closed 80.30 points, or 0.21%, lower at 38,564.88. The broader NSE Nifty too slipped 18.50 points, or 0.16%, to settle at 11,575.95.

The dollar index, which gauges the greenback's strength against a basket of six currencies, rose marginally by 0.07% to 97.35.

Foreign institutional investors (FIIs) emerged as net sellers in capital markets, pulling out ₹237.47 crore on Tuesday, provisional exchange data showed. Financial Benchmark India (FBIL) set the reference rate for the rupee/dollar at 69.7474 and for rupee/euro at 78.4291. The reference rate for rupee/British pound was fixed at 90.5428 and for rupee/100 Japanese yen at 62.34.