

## Expect rupee to stay volatile, say experts

The rupee, it seems, is still not out of the woods. At least, not yet.

The Indian currency, which bounced back last week after hitting record lows earlier on the back of measures announced by new Reserve Bank of India (RBI) governor Raghuram Rajan, is expected to remain volatile this week, experts said. The US Federal Reserve's decision on phasing out of monetary stimulus measures, which will restrict the flow of funds to emerging markets such as India and domestic inflation numbers will decide the rupee's course, they added.

"One of the most important cues for the rupee will be the US Federal Open Market Committee (FOMC) meeting next week on stimulus measures," said Anindya Banerjee, currency analyst, Kotak Securities. "This week inflation data will influence markets."

The FOMC is scheduled to meet on September 17-18 to decide on the timeframe for scaling back the easy loan policy that was introduced to boost US economic growth.

At home, retail and wholesale inflation numbers, to be announced on Thursday and Friday, respectively, will influence markets, said experts. A falling rupee is expected to fan inflation, which in turn will discourage the RBI to cut interest rates, thereby hitting sentiments further.

The Indian currency, which ended the previous week with a gain of 0.7% or 76 paise against the US dollar, has risen over 5 % from a record low of 68.85 hit on August 28. It has fallen around 22% since April.

Rajan, who took over as RBI chief on Wednesday, had announced measures to attract dollar inflows such as enhanced limits for exporters to re-book cancelled forward exchange contracts and a window to swap foreign currency deposits.

However, the move to prop the tottering rupee has contributed substantially to forex reserves dipping by a hefty \$16.6 billion or 6% to a low of \$275.5 billion since the beginning of 2013-14.

"The rupee is expected to trade with a slightly negative bias within the range of 64-67 to the dollar in the coming week," said Jayant Manglik, president, retail distribution at Religare Securities.

*(Hindustan Times)*