

[Business](#) » [Markets](#)

Published: August 23, 2013 09:58 IST | Updated: August 23, 2013 23:12 IST

Rupee snaps losing streak, stocks rally

Special Correspondent



Comments from the government and the Reserve Bank of India, which came after the rupee slid to an all-time intra-day low of 65.56 Thursday, boosted sentiment and also helped local shares rally. The Hindu

Closes with a gain of 135 paise at 63.20 a dollar

The rupee, on Friday, staged a sharp recovery against the dollar as state-run banks, at the behest of the Reserve Bank of India (RBI), reportedly sold dollars to take the pressure off the rupee. The recovery, significantly enough, also came a day after Finance Minister P. Chidambaram and RBI Governor D. Subbarao stepped in placate foreign institutional investors.

The rupee, which slipped to 64.75 intra-day, closed with a gain of 135 paise at 63.20 a dollar as compared to its previous close of 64.55.

The rupee had, on Thursday, slumped to its all time low of 65.56 intraday against the greenback. "The gloom is still there. The biggest problem is why will rupee correct? Money has to come in the form of dollar to increase the supply so that rupee appreciates," said Monjit Gogoi, Regional Director, Alpari India.

The rebound in the stock markets also helped bring in some dollars into the system, said analysts.

"I would tend to think that a level of 58-60 would be what the fundamentals dictate. Given the fact that it is being driven now more by sentiment, it will not be surprising if the rupee moves towards the 66-68 mark, as we do not see any viable short-term measure to curb the rupee fall," Rajesh Mokashi, Deputy Managing Director, Care Ratings told The Hindu.

Sensex up

The Bombay Stock Exchange benchmark index, Sensex, closed with a gain of 206 points at 18519.44. On similar lines, the NSE Nifty closed with a gain of 63.30 points at 5471.75. “Markets have pulled back for the second consecutive day on increasing optimism that the rupee has reached the bottom and may not fall from these levels. The FM and RBI Governor have once again tried to calm nerves by reiterating that the CAD will be contained . ,” said Dipen Shah, Head- Private Client Group Research, Kotak Securities.

On a day when the rupee recovered and stock markets gained, the bonds, too, posted their biggest weekly gain in four-and-a-half years, aided primarily by the central bank’s moves to support the rupee and liquidity in the market.

The benchmark 10-year bond yield fell 62 basis points over the week, the sharpest since January 16, 2009. The 2023 bonds closed at 8.26 per cent.

“This is not a fundamental rally because it is driven by the central bank’s moves and as long as that support remains, yields should not go up,” said A. Prasanna, an economist with ICICI Securities Primary Dealership Ltd.

The Reserve Bank of India raised Rs.6,232 crore (\$978.34 million) through the open market operation bond purchase auction on Friday, against the notified amount of Rs.8,000 crore.

Keywords: [Rupee-dollar trade](#), [Forex market](#), [RBI](#), [currency value](#), [rupee value](#), [Indian economy](#)

Printable version | Aug 29, 2013 11:22:55 AM | <http://www.thehindu.com/business/markets/rupee-snaps-losing-streak-stocks-rally/article5051579.ece>

© The Hindu