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MONEY NEWS

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Rupee hits 3-week high on debt-related dollar inflows

Reuters Staff



Reuters Market Eye - The rupee rose to a near three-week high against the dollar on Wednesday on the back of strong foreign investor buying in the debt market, although greenback demand from importers and a fall in shares limited further gains.

A street side restaurant owner holds a bundle of Indian currency notes as he sits outside his restaurant in New Delhi November 22, 2013. REUTERS/Adnan Abidi/Files

Traders said a large foreign bank was spotted selling dollars, amounting to around \$250 million, for investment intended into government bond markets.

The focus will shift to global factors, including the release of the minutes of the U.S. Federal Reserve policy meeting in July later in the day and the annual gathering of policymakers and central bankers in Jackson Hole, Wyoming, later this week.

“Inflows into the debt market are continuing and that should keep the rupee bias positive. Overall, the sentiment on India remains optimistic,” said Subramanian Sharma, director at Greenback Forex.

“We will not see the rupee gain much above 60 levels as there will be buying seen at every opportunity whereas exporters will come in to sell around 62. I expect the unit to hold between 60.50 and 61.80 in the medium term,” he said.

The partially convertible rupee closed at 60.61/62 per dollar compared with 60.6750/6850 in the previous session.

The unit hit 60.52 during trade, its highest since July 31, although it ceded ground later in part on dollar demand from importers.

The gains in the rupee came on a day when government bonds rallied amid speculation that foreign portfolio investors were active buyers, especially in 5-8 year debt.

Meanwhile, shares edged lower after hitting a third consecutive record high earlier.

Foreign funds added 41.22 billion rupees (\$677.4 million) in exposure to Indian equity derivatives on Tuesday, exchange data showed.

In the offshore non-deliverable forwards PNDf, the one-month contract was at 61, while the three-month contract was at 61.62.

Reporting by Swati Bhat

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