

**MONEY NEWS**

JANUARY 20, 2014 / 9:42 AM / 4 YEARS AGO

## Rupee edges lower; debt inflows provide support

Subhadip Sircar



MUMBAI (Reuters) - The rupee fell marginally on Monday, hurt by broad gains globally in the dollar, but strong foreign fund inflows into domestic bonds prevented broader losses.

A man exchanging damaged Indian currency counts 100 rupee notes along a roadside in Kolkata August 30, 2013. REUTERS/Rupak De Chowdhuri/Files

Foreign institutional investors have been heavy investors in local debt, being net buyers for seven successive sessions to Friday, taking the total purchases for the month to \$2.8 billion. The purchases came after they reduced their holdings by \$8.3 billion in 2013.

Easing inflation and a stable rupee have led to expectations that Reserve Bank of India (RBI) Governor Raghuram Rajan will keep rates steady when the central bank meets on January 28 to decide monetary policy, helping improve investor confidence.

“The bond inflows have been one of the biggest factors supporting the rupee. Moreover, I expect equity-related inflows to pick up in the coming months due to FDI inflows and share buybacks lined up,” said Subramanian Sharma, director at Greenback Forex.

The RBI raised its key policy rate twice late last year to contain inflation, sparking concerns about declining economic growth.

A pause in rate hikes will boost equities and attract more foreign funds, which will be supportive of the rupee.

The partially convertible rupee closed at 61.62/63 per dollar compared with its Friday close of 61.54/55.

The currency remained in a tight range of 61.5425-61.67 as the U.S. markets will remain closed on Monday for a national holiday.

The euro recovered slightly from a two-month low against the dollar on Monday, helped by higher short-term market interest rates, although speculation the European Central Bank may step in limited its gains.

Forward premiums on the dollar/rupee eased after the central bank said it would provide more cash via open market operations on Wednesday.

In the offshore non-deliverable forwards, the one-month contract was at 61.96 while the three-month was at 62.74.

Editing by Subhranshu Sahu