

Indian rupee: All is well; why PM Modi and FM Jaitley need not worry about it

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The Indian rupee may have come under pressure today due to the global market sell-off, but analysts are of the view that one or two days of volatility is no reason to be worried about the currency's outlook. At one point today, the rupee was trading at 66.93, down 25 paise against the US dollar. Should the government and RBI be worried? No, say analysts.

For those who are also fearing that Brexit, Rexit and US Federal Reserve Rate high will spell dooms day for the rupee in the coming months, we have some good news. Analysts are fairly confident that the domestic fundamentals are robust and any pressure that the currency may feel will be short-lived in nature.

Dr Arun Singh, Lead Economist at Dun & Bradstreet India cites all time high FDI inflows to back his views. "I think it is safe to say that rupee will continue to be stable in the coming months. FDI inflows are at an all-time high, global investors are betting on

India, forex reserves are robust," Singh told FE Online. "So barring a day or two of volatility and pressure that can be attributed to global uncertainty on the US Federal Reserve and ECB front, rupee will continue to be strong," he said.

Agrees Sajal Gupta, Head Currencies at Edelweiss Securities. Gupta sees mild depreciation in the Indian rupee going ahead, but no drastic fall. "We don't see the rupee going beyond levels of 68.50. This is a phase of mild depreciation due to global pressure. There is no cause of worry on the domestic front," Gupta told FE Online. "Our target for December is 68.50 on the depreciation side. India's forex reserves are at an all-time high, any pressure on rupee would be due to external reasons and not internal," he added expressing confidence in domestic fundamentals.

Jamal Mecklai, MD & CEO of Mecklai Financial did not give a target for the rupee, but pointed that the currency has actually been appreciating for some time now. "Rupee really hasn't depreciated that much, it has actually strengthened in the last few weeks. Today, there is global panic around the collapse, everything is under pressure, so people are pulling out their money, which is why rupee is also under pressure. But, it hasn't gone to levels of 67 also till now," he told FE Online. "I think, to my mind you will see stronger volatility in the Indian rupee going forward, which is a good thing, because it has been quiet for a while," he opined.

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