



Date : January 29, 2011

Publication : Mint

Edition : Mumbai

Page : 14

**RAPID FIRE** | CURRENCY MARKET

## Rupee will stay under pressure due to FIIs exiting stock market

By SUHITA PODDAR  
suhita.p@livemint.com  
MUMBAI

The Indian rupee has come under strain recently owing to a combination of higher crude oil prices, foreign fund outflows and signals of an improving US economic outlook. **Pramit Brahmabhatt**, chief executive of **Alpari Forex (India) Pvt. Ltd.**, said in an interview that the rupee's outlook may remain under pressure due to domestic and international conditions. Edited excerpts:

**Which direction is the rupee likely to take in the near term? Will its weakness from the rise in crude oil**

### prices continue?

The rupee will remain under pressure due to domestic and international conditions. We will see the range of 45.20 to 45.80. The rupee is under pressure from domestic equity market conditions. As we have seen, the constant pull-out of funds by FIIs (foreign institutional investors) from the stock markets is the larger reason for the rupee's weakness.

In terms of global factors, like weakness in Asian markets and cooling of the Australian economy, action taken by Chinese regulators to control growth, which in turn will cool the Chinese economy, are also strengthening the dollar. The

dollar is used as a safe haven in such market conditions. The crude oil price has some effect, but not as big as FIIs' pull-out of funds.

### Is the rupee fairly valued at the present level or does it have room to appreciate?

If we talk about existing conditions, then it is fairly priced, considering the factors that have shifted the rupee from 44.5 levels to 45.5 levels. The rupee does have space to appreciate and go back to the level of 44.5-44.8, but it depends on the shaping of the equity market, inflation and interest rates. We have already seen the rupee has failed to break the 45.8 level despite lots of negativity in the

market. Weaker Asian and Indian stock markets are making the rupee weaker. The effect is indirect since the dollar is used as a safer currency.

### What are the key events the market is eyeing with regard to the rupee's movement?

#### Domestic events:

1. Upcoming budget session (will determine fresh foreign investment flows).

2. Further interest rate rise (more important would be the frequency and basis point rise in each announcement).

#### International events:

1. Shaping up of the US economy and the extension of monetary support by the Fed.

### What level do you expect the rupee to trade at versus the dollar in the near term?

We will see USD/INR will range at 45.2-45.8 until the budget session unless any extraordinary event happens. We can't discount the indirect effect of other markets on the Indian currency.

### Are retail investors coming to the

### currency market?

Retail investors are taking an interest in this market. Still, the currency market is a new area and retail investors are hesitating to enter the market. At Alpari, we are making efforts to educate retail investors about the opportunities in this market. There are three very important factors which will determine the further success of this market.

1. Education of investors with systematic training programmes.

2. Regulators' initiative to develop this market with other stakeholders.

3. Bringing more flavour to this market by adding more

pairs, products and operational timings.

Efforts have been made by various scattered groups to encourage retail investors to enter the market. Various training sessions, technical tools and fundamental analysis have been provided to clients. Since

the target audience will be the participants in equity and commodity markets, it is not very difficult to explain the concept of F&O (futures and options). It is also helpful that the lot size is comparatively smaller than other two markets. So the risk factor decreases significantly.

This year will see the change in the behaviour of retail participants.

**Retail investors are taking an interest... Still, the currency market is a new area and retail investors are hesitating to enter the market**

This year will see the change in the behaviour of retail participants.