RBI wades into currency pool, and swims ₹ to safety

ANUP ROY
Mumbai, 25 November

Reserve Bank of India (RBI) heavily intervened in the currency market on Friday to strengthen the Indian rupee from its record low level reached on Thursday.

Some recovery in the local stock markets, as well as broad-based dollar weakness, helped rupee gain back some of its value.

The rupee closed at 68.47 a dollar, from its previous close of 68.75 as the central bank intervened at multiple points whenever rupee showed some depreciation pressure, said several currency dealers who did not wish to be named.

The local currency had opened at 68.66 a dollar and depreciated as much as 68.70 a dollar before the RBI started intervening in the market.

"There was heavy selling (of dollar) by the RBI to defend the rupee. Besides, it removed some of the rupee liquidity from the system, too," said a senior currency trader with a foreign bank who did not wish to be named.

Some of the recovery in rupee was also led by dollar giving up some of its gain against global currencies. All major currencies in the region gained against the dollar, but rupee gained the most in the day. The local currency gained 0.40 per cent intraday, while Japanese yen rose 0.38 per cent.

That rupee would strengthen from its Thursday's low was predicted in the foreign non-deliverable forwards (NDFs) market. The market was showing that rupee should scale back from the record low 68.87 a dollar level it had reached on Thursday.

But a poll of 10 currency market participants by *Business Standard* said rupee could test 70 a dollar in the coming days, but should retract to 68-69 level. The US Federal Reserve will meet mid-December and is widely expected to increase rates from the near zero level.

After Donald Trump's victory in US presidential polls and the Fed saying that the rate cuts could be in December, Asian currencies have suffered. In a month, rupee has fallen 0.49 per cent, more or less the same as other Asian currencies. Japanese yen, in this period, has fallen 1.76 per cent. (NDF is a cash-settled, short-term forward contract in a thinly traded or non-convertible foreign currency against a freely traded currency, where the profit or loss at the settlement date is calculated by taking the difference between the agreed upon exchange rate and the spot rate at the time of settlement, for an agreed upon notional amount of funds. The gain or loss is then settled in the freely traded currency. A forward contract is a customized contract between two parties to buy or sell an asset at a specified price on a future date.)

CURRENCIES RELATIVE TO DOLLAR

(Price for one dollar)	Nov 25	% Change*
Euro	0.94	0.57
Japanese yen	112.86	0.43
Indian rupee	68.47	0.40
Singapore dollar	1.43	0.28
South Korean won	1,177.30	0.26
Indonesian rupiah	13,525.00	0.24
Thai baht	35.63	0.11
South African rand	14.14	0.10
Taiwan dollar	31.91	0.07
China renminbi	6.92	0.06
Malaysian ringgit	4.46	0.04
British pound	0.80	-0.17
Russian ruble	64.69	-0.31
Brazil real	3.42	-0.57

*Over previous day; compiled by BS Research Bureau
Source: Bloomberg

No major trouble due to govt ban on note exchange

BS REPORTERS
Mumbai, 25 November

The queues in banks have shortened considerably in the past few days and government's decision to forbid exchange of certain notes on Thursday did not seem to have much adverse impact on the general public.

However, shortage of cash continues and in some places banks are enforcing their own limits on cash withdrawal. For example, in pockets of Bengaluru, some branches have set a limit of ₹10,000 withdrawal per week against the mandated ₹24,000 as branches struggle to give cash to everyone in the queue.

DEMONETISATION IMPACT

"The Reserve Bank of India (RBI) is not supplying enough cash. We are running out of cash, only a few thousands are left in the bank right now. Due to this, we're restricting the maximum withdrawal limits to ₹10,000 per week, as opposed to ₹24,000," said a senior official at one of the branches of Canara Bank in Bengaluru. According to the official, there was no cash in automated teller machines (ATMs).

However, scrapping the note exchange programme seems to have thinned the queues.

"After the announcement, there was hardly any crowd in the bank," said the official.

Similarly, in Mumbai, a manager of a State Bank of India (SBI) branch said queues have come down and people are not complaining.

"We are still waiting for those big deposits. So far, the amounts deposited are normal," said the official.

But some bankers felt that unnecessary confusion is being created by the frequent changes in rules. According to a branch manager in suburban Mumbai, many people came in the morning for exchange of old notes but were surprised to know the ban.

The effect was much more adverse in rural and semi-urban areas where share of transaction done in cash is high, said the SBI executive.

Exchanging currency notes anyway was not a problem in metro cities as people have their bank accounts. But the situation in hinterland, where most of the unbanked reside, could be very different. Odisha is one of those states with huge tribal population and officials are taking additional steps to extend help to these unbanked poor.

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Rabi area 4.6% more than 2015; sowing slows

SANJEEB MUKHERJEE
New Delhi, 25 November

Rabi crops were sown on 32.76 million hectares till Friday, which was 4.6 per cent more than the same period last year, but the pace of planting slackened further and from November 18 to 25, the acreage rose by just 35.5 per cent.

From November 4 to 11, the area covered under rabi crops grew 80 per cent, which fell to 65 per cent in the subsequent week, data by the department of agriculture showed.

November is considered the most ideal month for sowing of most rabi crops.

In wheat, which is the main crop during the rabi season, the acreage as on November 25 stood at 12.71 million hectares, which is 8.38 per cent more than the same period last year.

The pace of sowing in wheat has also shown a steady decline since November 8, when the demonetisation was announced, though most experts said the effect of cash crunch won't be felt in sowing of cereals as very little quantity of new seeds is used and the slowdown in sowing pace is normal. The brunt of cash crunch could be borne by vegetable seeding.

Wheat acreage as on November 25 was almost 15 per cent less than normal acreage, which is average area of last five years starting from 2011-12.

A report quoting an unnamed senior official from Maharashtra said rabi sowing could drop by as much as 20 per cent in the state as the sale of seeds and fertilisers was getting affected due to note ban.

Maharashtra chief secretary issued instructions to state-run seed distribution centres to accept scrapped currency notes of ₹500.

Data showed that water level in 91 major reservoirs in the country had plunged to 67 per cent of their total capacity from 68 per cent last week.

According to water resources ministry, 105.209 billion cubic metres of water was available in these reservoirs for the week ended November 24.

The stock was 125 per cent of the storage reported during same period last year, while it is 97 per cent of the decadal average, the ministry said.