

Rupee falls to new lifetime low of 164.50/dollar

KARACHI: Rupee hit yet another record low against the dollar on Thursday, as a month-end dollar demand from importers and uncertainty over the IMF's conditions on its assistance before the approval of accord pushed down the local currency.

The battered rupee dipped to a new lifetime low of 164.50/dollar during the session, before trimming some losses to close at 164.05 in the interbank market, according to the central bank data, well below its 162.16 close on Wednesday. Rupee fell 1.16 percent or Rs1.89 versus the greenback. The rupee declined 55.48 percent since December 2017, and has dropped 18.11 percent so far this year.

In the kerb market, it sold at 164.50, compared with 163 in previous trade. Traders said rupee was highly volatile in early trade on heavy dollar demand from corporates, but recovered some of its losses in the second half as exporters sold dollars in the market.

“Dollar demand was there. Some banks were on the buying side and there was a big payment due by a large multinational company,” a dealer said. Yaqoob Abubakar, an analyst at Tresmark, said uncertainty ahead of finalization of IMF's \$6 billion rescue package due next week was the key reason behind weaknesses in local currency. “Market is uncertain regarding more conditions from IMF before finalisation of the package,” Abubakar said.

Many market participants interpret the IMF staff-level agreement as a green light to sharper currency depreciation. The likely outcome of the IMF's board could point to further volatility in the currency markets, with rupee staying under pressure.

There are speculations that rupee might settle around 180 to 190 levels by the end of this year. However, some analysts expect rupee to stabilise after the implementation of the IMF extended fund facility.

Forex Association of Pakistan President Malik Bostan said the future course of rupee would depend on the payment requirements. “It may trade at 163.50 to 163.70 on Friday if the oil and debt payments have already been covered by importers.”

Rupee fall in the open market was reflective of downward moves of the currency in the interbank market, he said, adding that only genuine buyers were coming to the kerb market. “We (the open market) have only buyers who want to meet their genuine requirements of foreign exchange for travelling, education and medical purposes. Dollar hoarders are not in the market,” he said. Bostan also dispelled the notion that the discontinuation of Rs40,000 prize bond by SBP was impacting dollar buying. Instead, he said people were investing in gold, since they found it a safer haven compared to dollar hoarding. He said exchange companies have surrendered \$300 million to the interbank market since May 15.

Erum Zaidi