

Our Correspondent

Rupee may stay range-bound

KARACHI: The rupee is expected to trade range-bound against the dollar next week, with inflows from exporters expected to meet importers' demand, traders said.

"The outlook for the rupee depends on the level of dollar demand from importers and corporates and its [dollar] supply condition in the foreign exchange market," a dealer with a leading commercial bank said.

"The reopening of more businesses seems to increase import and export activities. Hence, the dollar demand may originate from some sectors, but we expect dollar inflows due to exporter greenback sales to be sufficient to cater to the market demand," the dealer added.

"The rupee is expected to stay in the 167-168 range for the next week."

In the interbank market, the rupee closed at 167.87 against the dollar on Friday, after dropping to 168.22 against the dollar on Wednesday.

Business activities are likely to pick up after the government announced reopening of the hospitality and recreational sectors from August 10 (Monday).

Businesses and markets will follow the timings in place before the coronavirus pandemic. Air, train and road transport is being resumed.

Some dealers said it's interesting that exporters' reenter the foreword markets selling dollars in the three to six months window.

Analysts believe the improvement in the traders' sentiment amid positive macroeconomic fundamentals would give support to the local unit.

"Pakistan's economy has shown material resilience as may be seen by the quick recovery in exports, uptick in industrial output, supple inflation, reduction in trade deficit, a good handle on BoP (balance of payments), stable currency and a strong surge in the equity markets," Tresmark, that tracks financial markets, said in a note to clients on Saturday.

"These have been greatly helped by multilateral inflows, adequate supply of liquidity by the SBP, a low interest rate environment and a reduction in Covid incidence. Reenergising the CPEC initiatives and PM's stimulus driven focus on the construction industry have given more reasons to celebrate this consolidation in macros," it said.

Financial analysts are also positive about a shift in Pakistan's foreign policy, which has taken a more resolute turn by unraveling a new Pakistan map, successfully holding a UNSC meeting to discuss Kashmir and eyeballing Saudi Arabia, all within the space of a few days.

Interestingly, a surge of US hostility towards China, most likely aimed at Trump's reelection efforts may also benefit enhanced industrial and trade activities in Pakistan from both global trade partners, as well as Chinese companies, it noted.

Chinese President Xi Jinping's visit to Pakistan and Moody's reconfirmation of stable outlook will all keep sentiment buoyant, it said.