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Dollar gains Rs2.2 in two days

KARACHI: The dollar gained Rs1.12 on Friday against the rupee to close at Rs163.1 in the interbank.

After staying stable for around a month, the past couple of days saw the greenback appreciating by a cumulative Rs2.18 to reach as high as Rs163.10, compared to opening rate of Rs160.92 on Thursday. This represents an increase 1.35 per cent in the dollar.

Currency dealers in the interbank market were unable to assess the exact reason but said a foreign bank was the main instrument for the rise in the dollar price.

“From opening of Rs162 on Friday morning, the dollar price started sharply and to our surprise, only one foreign bank was the major buyer,” said a senior banker.

Dealers said the same bank has been involved in large buying and selling of dollars in the market on behalf of the SBP, whenever the latter likes to stabilise the exchange rate.

According to the bankers, buying could be a result for the payment against the foreign investment in the treasury bills. The hot money which was poured into the country in the first half of FY20 soon changed the trend as outflows began in the wake of coronavirus.

The country recorded a maximum of \$3.631 billion in short-term treasury bills at one point. While most of that hot money has left, there is still \$581 million foreign investment in the said instruments. Sources said this could be also a reason for higher buying of dollars by a foreign bank.

In addition to the uncertainty caused by the pandemic, foreigners’ outflows were accelerated by the SBP cutting the policy rate by a cumulative 5.25 percentage points to 8pc within two months.

“The SBP did not intervene while the greenback was appreciating against the rupee indicating that the dollar price was still in a reasonable range,” said the banker.

Bankers said the interest rate fall, low imports, depressed oil prices and the expected deferment of debt servicing by G-20 for one year are enough to keep the exchange rate stable. They said the SBP has a reasonable reserves buffer of over \$12bn along with \$6.5bn in the accounts of commercial banks.

A senior banker dealing with currency business said the dollar may not go further up, instead it may slip against the local currency. He said the banks have only briefly opened after long holidays and will be closed for the weekend, so the situation would be more clear by next week.