

Our Correspondent

Rupee to remain range-bound next week

KARACHI: The rupee is likely to remain range-bound against the dollar in the coming week, despite demand pressure from importers, traders said on Saturday.

“Though there seems to be a demand for the hard currency from importers who book forwards, we expect the rupee to trade around the current levels. It’s unlikely to breach 160 per dollar level in the coming sessions,” said a foreign exchange trader.

The rupee/dollar parity made a high of 160.95 and despite several attempts couldn’t break the 161 level, closing the week at 160.72 against the dollar in the interbank market.

The rupee gave up gains, depreciating Rs2.70 to the greenback in the last three sessions, bouncing off the support level of 158.10.

Analysts said there are some factors which led to the fall in the rupee’s value this week.

The release of the State Bank of Pakistan’s September real effective exchange rate was at 94, which was higher than market expectations of 92.50. Furthermore, the dollar was in oversold territory and a technical correction was due.

Traders said the central bank was accumulating dollars, implying a bottom as the reserves held by the SBP went up by \$179 million as of week ended November 13.

“When Rupee couldn’t breach the 158 level, traders squared their short positions and importers booked forwards. In a thinly traded market, rupee shot up sharply,” said Tresmark, an application that tracks financial markets, in client note. “Traders had expected Rupee to give up its gains and close the year around the 160 level,” it added.

Analysts say this is a healthy consolidation for the rupee and will pave way for the currency to retest the 158 level in the medium term.

The view above is backed by healthy surplus in the current account, stronger remittances and exports and subdued import demand. While no official numbers of Roshan Digital Accounts are published, bank operatives are bullish of strong inflow.

One analyst said Pakistan’s 10 year (dollar denominated) Euro bonds were trading around the 10 percent level, so unless there was a proper marketing campaign, traders were not expecting a splurge on the Roshan initiative.

Another adds that however a steady inflow of \$200 million monthly is all this market needs, thus strategies should be developed around achieving these realistic targets.

Some analysts say there is a speculation in the market that importers and the SBP both are buyers. "Importers are buying to take advantage of attractive PKR-USD [parity], whereas the SBP does it for building up reserves to strengthen its own book," they added.

"I believe USD-PKR are likely to remain in range of 158 to 163 band owing to strong current account and lower oil prices [being the key reasons]," said an analyst at Foundation Securities.

The SBP's Monetary Policy Committee is due to meet on Monday, where rates are widely expected to remain unchanged.

"With COVID still battering the world economies and central banks looking for innovative ways for further easing, we believe there is a very strong argument for rate cuts and should be given some weightage," said the Tresmark.