

Our Correspondent

Rupee may gain further

KARACHI: The rupee is expected to continue its upward momentum in the coming week due to the lack of import payments and continuous healthy dollar inflows.

Traders said the rupee is on the track to post more gains versus the dollar, as the supply of the greenback is outpacing the demand by a huge margin.

Moreover, strong foreign exchange reserves position, some measures taken by the central bank, sale of forward dollars by exporters and increase in remittances due to Roshan Digital Accounts continue to support the local currency.

A falling trend in the oil prices is also likely to be positive for the local currency in the coming days.

Most traders see 158.10 to be the major support for the pair in the near-term. However, some traders expect the local unit will gain further, trading at the 157 level by the end of the month.

However, scheduled outflows of approximately \$2 billion this year, and the fear of increase in the coronavirus infections pose a risk for the economic recovery, as well as the rupee's outlook.

The rupee continued its winning streak against the dollar, closing the week at 159.09 in the interbank foreign exchange market.

The currency rose 0.6 percent, or Re1.02, against the greenback during the outgoing week. The rupee has gained consistently by around 20 paisas on a daily basis since September 29.

Currently, the rupee is undervalued in line with the International Monetary Fund's recommended approach of Real Effective Exchange Rate (REER). This was reported at 91 in August.

Analysts said there are a number of factors contributing to the appreciation of the rupee in the recent days.

The State Bank of Pakistan (SBP) is not selling dollars to support the domestic currency, amid rise in the country's forex reserves.

The SBP's swap book has improved, gaining around \$900 million month-on-month in forward legs. The foreign currency funding to banks remains uninterrupted, which is evident from the fact that their net open positions have not deteriorated.

Turnaround times for large import payments have reduced, with the central bank allowing hedging of 50 percent letter of credit-based payments.

Pakistan's foreign exchange reserves rose to \$19.353 billion during the week ended October 29 from \$19.296 billion a week ago.

The foreign exchange reserves held by the State Bank of Pakistan increased \$61 million to \$12.182 billion.

The increase in the foreign exchange inflows from the international financial institutions and rollover of Pakistan's \$4 billion deposit loan obtained from Saudi Arabia and the United Arab Emirates for another year to avoid forex decline helped lift sentiment in the market.

The Asian Development Bank plans to provide around \$10 billion to Pakistan in fresh assistance for various development projects and policy-based programmes over the next five years under its new Country Partnership Strategy.