

Rupee hits 5-month high

KARACHI: The rupee strengthened to its highest level in more than five months on Tuesday, helped by selling of dollars by exporters, while higher remittances and increase in the foreign exchange reserves also aided the sentiment.

In the interbank market, the rupee ended at 165.62 against the dollar, the highest close since March 27, 2020. It had closed at 166.23 on Monday.

The rupee gained 61 paisas against the dollar during the session. It appreciated 1.6 percent, or Rs2.81, since Wednesday where it had settled at 168.43 versus the greenback.

In the open market, the rupee ended firmer at 167 against the dollar.

Traders said the local unit gained further for the fourth straight session as the continuous dollar selling by exporters helped the domestic currency strengthen.

"Dollar inflows are healthy, as remittances are rising and exports proceeds are also improving," a dealer at a large commercial bank said.

"There is ample dollar supply in the market at the moment." Analysts said improving reserves, increased remittances from formal channels, current account surplus in July, and an overall weakening of the dollar are some of the factors contributing towards appreciation in the local unit in the recent days.

"I think PKR should not only hold ground, but actually appreciate further," said Faizan Ahmed, head of research at BMA Capital.

"PKR seems undervalued if you look at the Real Effective Exchange rate (REER) June 2020 as it clocked-in at 93.0199 so the PKR is actually more undervalued if you compare it with May 2020 REER of 97.1981," Ahmed said.

"I think in the near-term, all indicators are supporting further appreciation. At least 2-3 percent improvement can be expected in the near future."