



Rupee slides in open market

KARACHI: The rupee fell further against the dollar as the kerb markets opened on Monday, losing up to Rs1.20, a move that currency dealers said was triggered by the prime minister's remarks on Sunday that his government may need to approach the International Monetary Fund for a bailout.

The dollar opened at Rs128.50 in kerb market, according to the exchange companies though the exact rate would vary across the country. The interbank rate, by contrast, remained stable throughout, rising by a negligible one paisa at the close of trade, according to bankers. This divergence, between the kerb and interbank movement, points towards sentiment as the driver.

‘There is no panic about depreciation in interbank, neither any impact of heavy losses in shares market,’ said a senior banker. However, he said the State Bank of Pakistan (SBP) has strong grip over dollar movements in the banking market.

Bankers said the SBP is not reliable as far as exchange rate is concerned. ‘It is the government which decides about exchange rate and it is looking to borrow from IMF, which demands depreciation,’ said the senior banker, adding that IMF is believed to have included a condition for depreciation of the rupee.

Bankers said the importers were willing to buy dollars but they can't unless SBP allows them. Due to restriction on importers, there was no panic in interbank. The six-month forward booking was Rs126.30 (up Rs2 per dollar than the prevailing rate).

In the open market, the dollar traded as high as Rs129 but the interbank remained steady at Rs124.20-124.30.

General Exchange Companies Association of Pakistan Secretary Zafar Paracha said the government's announcement about IMF borrowing was the main reason for this sudden increase in dollar prices.

However, he said investors who lost in the share market have invested in dollars but that only accounts for a small part of their investment.

Forex Association of Pakistan President Malik Bostan said 80 per cent were buyers while 20pc were sellers in the open market, indicating that investments came in the currency market. He also said the closure of banks in New York, from where all remittances worldwide are routed, delayed the supply of dollars in the market, and the combined impact of restricted supply and overblown demand caused a jump in the currency.

‘We had supply of around \$2 million in the open market’ he said, ‘whereas demand was for almost \$8m.

‘Smuggling of dollars could not be curtailed. Smugglers offer Rs2 per dollar for Quetta and Rs3 for Iran,’ he added.

By Shahid Iqbal | 10/9/2018 12:00:00 AM