

## **INR to Strengthen vis- a- vis the USD**

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INR to strengthen vis- a- vis the USD, says K Ramanathan, VP & Head-Fixed Income, ING Investment Management India. Excerpts;

What is your expectation on Indian Rupee movement over US\$ over the next one month, one quarter, and the current fiscal. What factors do you feel will be responsible for such movement?

Going forward, we expect the INR to strengthen vis- a- vis the USD. The reasoning is simple; Increasing risk appetite will lead to increase in capital inflows into emerging markets including India. In addition, the global economic climate is only expected to improve. This would translate into a substantial increase in offshore business and lead to better export performance. This scenario offers corporates more incentive to sell USD INR spot/forward at current exchange rate levels.

Though the USD/INR exchange rates in the near term would fluctuate, a strong change in leadership at the centre is expected to be positive for long term capital inflows including FDI. The Balance of Payments (BOP) position is also estimated to become on account of recent oil discoveries and improved FII inflows.

On the contrary, we also need to factor in a couple of scenarios. Any northward crude oil price movement would mean more demand for the USD from oil companies and a stronger USD. And any slippage in global economic recovery would also enable a rally in favour of the USD.