

(BN) Rupee Surges to Three-Month High as Current-Account Gap Shrinks

+-----+

Rupee Surges to Three-Month High as Current-Account Gap Shrinks

2014-03-06 12:05:59.182 GMT

By Jeanette Rodrigues

March 6 (Bloomberg) -- India's rupee surged to the highest level in almost three months after a report showed the nation's current-account deficit shrank to the smallest in four years.

The currency jumped the most since Nov. 18 after the Reserve Bank of India yesterday reported the shortfall was \$4.2 billion in October through December, compared with \$5.2 billion for the prior quarter. Gains will be limited due to the risk that elections scheduled to start next month will result in a weak or indecisive coalition, according to Citigroup Inc.

The rupee rose 1.1 percent to 61.1150 per dollar in Mumbai, according to prices from local banks compiled by Bloomberg. It touched 61.1050 earlier, the strongest since Dec. 10. The S&P BSE Sensex index of shares climbed to a record as exchange data show global funds bought a net \$596 million of Indian stocks this year.

"The upcoming general elections are an important event to watch," Rohini Malkani, an economist with Citigroup in Mumbai, wrote in a report yesterday. "Despite an improvement in the current-account deficit, we expect the rupee to remain in the 61 to 64 range."

India's current-account deficit narrowed from \$31.9 billion in the October-December period a year earlier. The deficit is the least in data going back to 2010, which are calculated using the latest International Monetary Fund guidelines.

Election Uncertainty

Citigroup predicts the gap in the broadest measure of trade will narrow to \$37 billion for the year through March, from a record \$88 billion in the preceding 12 months, after the government raised tariffs to reduce imports of gold in the world's second-largest consumer of bullion. The shortfall will widen to \$47 billion in the next 12 months as the curbs could be eased, Malkani wrote.

India will start voting April 7 to determine if Prime Minister Manmohan Singh's ruling party can fight off a resurgent opposition and extend its decade-long rule of the world's largest democracy. The results of the polls will be announced on May 16, the Election Commission of India said yesterday.

One-month implied volatility, a gauge of expected moves in the exchange rate used to price options, rose 90 basis points, or 0.90 percentage point, to 7.98 percent.

Three-month offshore non-deliverable forwards rose 0.8 percent to 62.29 per dollar, data compiled by Bloomberg show.

Forwards are agreements to buy or sell assets at a set price and date. Non-deliverable contracts are settled in dollars.

For Related News and Information:

India scrolling foreign-exchange news: [STNI INMONEY <GO>](#) Top foreign-exchange stories: [TOP FRX <GO>](#) Most-read India stories: [MNI INDIA 1W <GO>](#) Rupee forecasts: [FXFC INR <GO>](#) India credit column: [NI INCREDIT <GO>](#)

--Editors: Amit Prakash, Andrew Janes

To contact the reporter on this story:

Jeanette Rodrigues in Mumbai at +91-22-6120-3734 or jrodrigues26@bloomberg.net

To contact the editor responsible for this story:

James Regan at +852-2977-6620 or

jregan19@bloomberg.net