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## Indian Rupee Climbs to Two-Month High as Economic Concern Eases 2012-01-19 12:26:38.639 GMT

By Jeanette Rodrigues

Jan. 19 (Bloomberg) -- India's rupee climbed to a two-month high after data showed signs of a recovery in the world's largest economy, tempering concern global growth is stalling.

The currency rose for a sixth day, the longest winning streak since June, after Greece resumed talks with private creditors to resolve its debt crisis and avert a collapse of the economy. The U.S. Federal Reserve said yesterday industrial production rose 0.4 percent in December following a 0.3 percent drop in November. The International Monetary Fund plans to boost lending by as much as \$500 billion to insulate the world economy from Europe's turmoil, it said yesterday.

"The progress in the Greek negotiations and the economic data from the U.S. are now fueling the extended rally in the rupee," said Naveen Raghuvanshi, a trader at Development Credit Bank in Mumbai. "The developments in Europe will play a crucial part in the rupee's movements from here."

The rupee advanced 0.4 percent to 50.2375 per dollar in Mumbai, according to data compiled by Bloomberg. It touched 50.0750 earlier, the strongest level since Nov. 14.

Foreign funds boosted holdings of Indian debt by \$3.2 billion this month through Jan. 17, exchange data show, and investments in shares rose by \$1.04 billion as of Jan. 18.

### Risks 'Underpriced'

The rupee, which dropped 16 percent last year in Asia's worst performance, has advanced 5.7 percent this month to be the region's biggest gainer. The sustainability of the rally will depend on euro-zone developments and economic data and policy guidance, both from home and abroad, according to BNP Paribas SA.

"The market may have underpriced risks of the current account widening further, a poor fiscal deficit and bad loans at Indian banks," said Thio Chin Loo, a senior currency analyst at BNP Paribas in Singapore. "Market sentiment can shift very quickly and at these levels, when the rupee is approaching 50, I wouldn't advise corporates to chase a stronger currency."

Exporters should look to convert their dollar earnings when the rupee hits 52 a dollar in the spot market, she said.

Three-month onshore forwards traded at 51.26 per dollar compared with 51.40 yesterday. Offshore forwards traded at 51.33, versus 51.44 yesterday. Forwards are agreements to buy or sell assets at a set price and date. Non-deliverable contracts are settled in dollars.

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