

## Rupee Gains as Current-Account Data Boosts Investor Optimism

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By Jeanette Rodrigues

Oct. 1 (Bloomberg) -- India's rupee rose, halting a two-day loss, after the current-account deficit widened by less than economists predicted, helping offset concern that a U.S. government shutdown will damp capital inflows.

The shortfall in the broadest measure of trade was \$21.8 billion in the quarter ended June compared with \$18.1 billion in the previous three months, the Reserve Bank of India said in a statement in Mumbai yesterday after markets closed. The median of 26 estimates in a Bloomberg News survey was for a \$23 billion gap. The U.S. began its first shutdown in 17 years today amid a deadlock in Congress over government spending plans and President Barack Obama's health-care law.

"The current-account deficit will continue to show improvement and this leads us to believe that significant depreciation bias for the rupee is over for now," Indranil Pan, an economist at Kotak Mahindra Bank Ltd. in Mumbai, wrote in a research report yesterday. Risks to the view include worsening global risk sentiment due to the Federal Reserve's tapering and the impact of the U.S. debt-ceiling impasse, he wrote.

The rupee advanced 0.2 percent to 62.4650 per dollar in Mumbai, according to prices from local banks compiled by Bloomberg. It surged 4.9 percent last month, the biggest gain in a year and the best performance among the 11 most-traded Asian currencies. Financial markets in Mumbai will be closed tomorrow for a public holiday.

India's current-account deficit will narrow to 3.4 percent of gross domestic product in the 12 months through March 2014 from a record 4.8 percent the previous year, helping the rupee stay in a range of 61 to 65 per dollar, according to the Kotak Mahindra report.

### U.S. Debt

U.S. lawmakers now have to debate ways to raise the nation's debt limit and avoid a first-ever default after Oct.

17. The Bloomberg U.S. Dollar Index, which tracks the greenback against 10 leading global currencies, fell 0.2 percent to 1,009.93, adding to a 0.3 percent loss in the past two days.

The rupee's one-month implied volatility gauge, a measure of expected moves in the exchange rate used to price options, rose 27 basis points, or 0.27 percentage point, to 15.71 percent.

One-month onshore rupee forwards climbed 0.3 percent to 63.92 per dollar, data compiled by Bloomberg show. Offshore non-deliverable contracts advanced 0.4 percent to 63.09. 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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