

## ***Rupee to be on firmer footing post Budget 2015? You can bet on history***

---

***"Importers are not panicky this time, and expecting a balanced Budget," said KN Dey, Senior Advisor, Mecklai Financial***

MUMBAI: Currency traders are leaning on a bit of history to bet that the rupee would strengthen in March. Not that fundamentals are pointing to a surge - though that may be true as well - but it has happened so in the seven times after the Budget from 2007.

It may well be the case again. Importers may shy away from booking forward contracts to hedge their exposures as they expect a fairly stable rupee over the next one month. "Importers tend not to cover their positions now as something encouraging is expected in the Budget, leading to the rupee rise against the dollar," said Abhishek Goenka, founder and chief executive of India Forex Advisors. "Historical data points over the last 10 years also indicate that the local currency mostly appreciated next one month after each Budget."

Before this year, the rupee has weakened seven times against the dollar in the month to the Budget since 2007 and strengthened as many times after the Budget, show research data from India Forex.

The domestic currency is expected to trade in the range of 61.50-63 over the next month or so, dealers said, as many believe the Reserve Bank of India won't allow any sharp spikes even if the budget proposals prompt high optimism.

**"Importers are not panicky this time, and expecting a balanced Budget," said KN Dey, senior advisor at Mecklai Financial, a treasury and forex risk advisory firm. "They are not in a mad rush to hedge their positions as the rupee is expected to be stable next one month with no sharp volatility."**

A market-friendly budget would ensure an extension of consistent overseas fund inflows, coupled with a narrowing trade deficit. Both factors will act in the rupee's favour.

Last year, there were two budgets - an interim budget before the April-May parliamentary elections and a full-fledged one after. The rupee rose against the dollar in the month following the February interim budget, but declined after the July presentation by the new government. The domestic unit lost value ahead of both budgets.

"Post budget, the uncertainty which hangs around before one month from budget release, fades away," said Anindya Banerjee, currency analyst at Kotak Securities. "This gives confidence to investors across the board. The local currency gains stability prompting importers to stay off from hedging." One-to-three month forward premiums too have come down, he said.