

Rupee Likely to Stabilize at 52-54 to Dollar This Year

MUMBAI, Jan 9 (Reuters) - The Indian rupee closed at a near-three-week high on Monday after pulling back from the day's low, aided by robust dollar inflows as foreign funds lapped up local debt, which offset the impact of a volatile domestic share market.

The partially convertible rupee ended at 52.50/51 to the dollar, 0.5 percent stronger than Friday's close of 52.7150/7250, after touching a high of 52.48, a level last seen on Dec. 21.

"The flows are related to the debt markets. Inflows are coming because expectations of rate cut are quite high," said Anil Kumar Bhansali, vice-president, Mecklai Financials.

The local unit could strengthen to 51.80 by Friday, helped by the inflows, while any sharp weakness in the rupee may be limited by exporter dollar sales around 52.80, Bhansali said.

Net inflows in debt so far in January stood at \$1.43 billion, far outstripping \$194.8 million in equities.

With the Reserve Bank of India's rising concern over the slowdown in the country's economic growth, some traders are anticipating a rate cut when the central reviews its monetary policy on Jan. 24.

India's Prime Minister Manmohan Singh on Sunday said the economy was likely to grow about 7 percent this fiscal year, lower than a revised forecast of about 7.5 percent growth issued by the government last month.

Outcome of a meeting between the top German and French leaders later in the day is being eyed by the local currency traders for cues on risk appetite and outlook on the global economy.

"We doubt that any major announcement or initiatives are likely to be undertaken in this meeting that could put some pressure on risk appetite," HDFC Bank said in a note.

The euro crawled back from a fresh 16-month low to the dollar as traders trimmed short positions, but further declines were anticipated as worries over sovereign funding kept investors bearish on the currency.

Traders said dollar demand from oil importers weighed on the rupee in early trades. Oil is India's largest import item and oil refiners are the biggest buyers of dollars in the local forex market.

Indian shares fell 0.22 percent as investors sold on concerns sluggish economic growth would dent corporate earnings due to higher costs and interest rates.

One-month offshore non-deliverable forward contracts were quoted at 52.83, indicating more weakness in the short-term in the onshore spot rate.

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WHERE RISK MEETS ITS MATCH

In the currency futures market, the most-traded near-month dollar-rupee contracts on the National Stock Exchange, the MCX-SX and the United Stock Exchange were all around 52.8 on total volume of \$3.8 billion. (Editing by Subhadip Sircar)

<http://in.reuters.com/article/2012/01/09/markets-india-rupee-idINL3E8C963420120109>