

THE RUPEE: bears dominate

RECORDER REVIEW KARACHI (January 07, 2013) : Falling trend was witnessed on the currency market during the week, ended on January 5, 2013. On the interbank market, the rupee lost 38 paisa versus the dollar for buying at 97.50 and it also shed 39 paisa for selling at 97.55. On the open market, the national currency fell sharply by 80 paisa in relation to the dollar for buying and selling at 98.40 and 98.60, they said, adding that the rupee did not move any side in relation to the euro for buying and selling at Rs 128.00 and Rs 129.00. During the week, the rupee failed to resist fall in relation to the dollar and it is most likely that the rupee may not be able to stand with its counterpart in the coming days due to persistent rise in dollar demand by importers to clear bills. In year 2012, the rupee lost 7.8 percent against the dollar. The major factor behind the rupee's slide versus the dollar is higher import bills, which is still on rise. On the other hand the exports were on decline due to global recession and some other reasons. In fact, the rupee was under pressure since the fiscal year 2012-13 started, mainly because of debt payments in the absence of any substantial inflow of foreign exchange capital inflows and hits factor played a major role in bringing down the foreign exchange reserves. In the meantime, the State Bank of Pakistan (SBP) remained touched keeping a watch over the records of the interbank transactions if any bank had made any unusual sales of forward dollars to importers during the time when the rupee was constantly shedding value against the dollar. On the interbank market, the rupee touched all-time low at 98.14 against the dollar, while on the open market, the rupee followed same path after hitting record low at 99.70 in terms of the US currency. This is election year, and it looks that the rupee may not be able to recover lost ground due to weak fundamentals, other money experts said. **INTER-BANK MARKET**

RATES: On Monday, the rupee posted fresh gain of eight paisa against the dollar for buying at 97.12 and it also gained nine paisa for selling at 97.16. No rates were issued on Tuesday on account of bank closing. On Wednesday, the rupee dropped by 23 paisa in relation to the dollar for buying at 97.35 and the national currency also shed 22 paisa for selling at 97.38. On Thursday, the rupee continued its fall versus the dollar, shedding eight paisa for buying and selling at 97.43 and 97.46. On Friday, the rupee extended its decline versus the dollar, losing seven paisa for buying at 97.50 and it shed nine paisa for selling at 97.55.

OPEN MARKET RATES:

On December 31, the rupee gained 10 paisa in relation to the dollar for buying and selling at 97.60 and 97.80. The rupee also picked up 50 paisa versus the euro for buying at Rs 128.00 and Rs 129.00. On January 1, the rupee managed to hold its level versus the dollar for buying and selling at 97.60 and 97.80, they said. The rupee lost 30 paisa versus the euro for buying at Rs 128.30 and Rs 129.30, they said. On January 2, the rupee came under pressure in terms of the greenback, losing 20 paisa for buying and selling at 97.80 and 98.00. The rupee, however, rose by 10 paisa versus the euro for buying at Rs 128.20 and Rs 129.20. On January 3, the rupee extended its slide in relation to the dollar for buying and selling at 97.90 and 98.10. The rupee also shed the same amount versus the euro for buying at Rs 128.30 and Rs 129.30. On January 4, the rupee also depicted downward trend in relation to the dollar for buying and selling at 98.20 and 98.40. The rupee, however, managed to gain 70 paisa in terms of the euro for buying at Rs 127.60 and Rs 128.60. On January 5, the rupee dropped 20 paisa against the dollar for buying and selling at 98.40 and 98.60. The rupee also drifted lower versus the euro, shedding 40 paisa for buying at Rs 128.00 and Rs 129.00.

OVERSEAS OUTLOOK FOR DOLLAR:

In the first Asian trade, the yen held above a two-year low versus the dollar but remained on track for its largest annual drop in seven years, pressured by expectations for more forceful monetary easing by the Bank of Japan. The dollar last stood at 86.13 yen, staying below Friday's high of 86.64 yen, which was the greenback's strongest level versus the Japanese currency since August 2010. The dollar was trading against the Indian rupee at Rs 54.78, the greenback was at 3.0580 in terms of the Malaysian ringgit and the US currency was available at 6.2290 versus the Chinese yuan. In the second Asian trade, the Indian rupee started 2013 on a positive note tracking gains in local shares after US lawmakers agreed on a deal which would help avert the "fiscal cliff" but weak domestic data limited a sharper rise. The Senate moved the US economy back from the edge of a "fiscal cliff", voting to avoid imminent tax hikes and spending cuts in a bipartisan deal that could still face stiff challenges in the House of Representatives. Inter bank buy/sell rates for the taka against the dollar on Tuesday: 79.75-79.75 (79.75-79.85). Call Money Rates: 11.00-11.00 percent (previous 7.25-12.00 percent). In the third Asian trade, the yen fell broadly and tumbled to an 18-month low versus the euro on Wednesday as US lawmakers passed a bill to avoid the "fiscal cliff", bolstering investors' appetite for risky assets. The dollar, a traditional safe haven currency that tends to rise in times of market stress, also came under pressure and retreated against the Australian dollar as well as the euro. The dollar was trading against the Indian rupee at Rs 54.68, the greenback was at 3.0445 in terms of the Malaysian ringgit and the US currency was available at 6.2303 in relation to the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Wednesday: 79.75-79.80 (79.75-79.75). Call Money Rates: 11.00-12.00 percent (previous 07.25-12.00 percent). In the fourth Asian trade, the yen edged higher after hitting a 29-month low versus the dollar, having come under pressure earlier when US lawmakers forged a deal to avoid a fiscal crunch, fuelling demand for riskier investments. The dollar slipped 0.1 percent to 87.21 yen. The dollar rose to as high as 87.36 yen earlier on Thursday on trading platform EBS, the greenback's highest level against the Japanese currency since late July 2010. Inter bank buy/sell rates for the taka against the dollar on Thursday: 79.70-79.75 (79.75-79.80). Call Money Rates: 10.50-11.00 percent (previous 07.10-11.10 percent). The dollar was trading against the Indian rupee at Rs 54.42, the greenback was at 3.0335 in terms of the Malaysian ringgit and the US currency was at 6.2303 versus the Chinese yuan. In the final Asian trade, the dollar rose to its highest level against the yen in nearly 2-1/2 years on Friday, while the euro also firmed against the yen on expectations that this year will bring more monetary stimulus by the Bank of Japan. The euro hit a three-week low against the greenback after minutes from the US Federal Reserve's last meeting indicated that while the Fed looks set to continue buying bonds, some policymakers are reticent about further increasing its \$2.9 trillion balance sheet. The dollar was trading against the Indian rupee at Rs 54.50, the greenback was at 3.0413 in terms of the Malaysian ringgit and the US currency was at 6.2316 in relation to the Chinese yuan. At the week-end, the dollar climbed to a nearly 2-1/2 year peak against the yen after Federal Reserve meeting minutes the previous day showed growing concern about further stimulus for the economy, with speculation of more monetary easing in Japan also weighing on the Japanese currency. Injecting stimulus into the economy involves flooding the market with dollars, which would tend to lower the currency's value. Any doubts about that stimulus are viewed as positive for the greenback.

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