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Rupee hits six-week high; elections next major trigger

Subhadip Sircar



MUMBAI (Reuters) - The rupee rose to its highest in six weeks on Wednesday, as the BSE share index approached a record closing high on strong foreign flows, while sentiment was helped as emerging market currencies benefited from tentative hopes of easing tensions in Ukraine.

The Sensex closed just around 0.5 percent away from a record closing high hit on January 13 as foreign investors have bought a net \$800 million over the previous 13 sessions to Tuesday.

Investors will be eyeing whether those flows can sustain ahead of general elections, which are due to start on April 7 and conclude by May 12, with results due out on May 16.

Traders hope elections will see the opposition Bharatiya Janata Party, which is perceived to be more business-friendly, winning a majority to usher in reforms and pull the economy out of the current slow growth, while they most fear a split outcome.

“The conviction in the rupee strengthening in widening. With news of election and exit polls showing a strong performance for the opposition, the chances of a stable government coming in are rising. I expect more flows to come in,” said Subramanian Sharma, director at Greenback Forex.

The partially convertible rupee closed at 61.75/76 versus Tuesday’s close of 61.845/855 per dollar. It rose to 61.6650 intra-day, its highest since January 21.

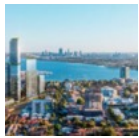
The rupee benefited from gains in emerging market currencies such as the South Korean won and even the Chinese yuan, which had been under pressure recently.

But caution over military tensions in Ukraine remain, with Russian shares slipping and the rouble headed towards record lows.

In the offshore non-deliverable forwards, the one-month contract was at 62.16 while the three-month was at 62.91.

Editing by Sunil Nair; Editing by Sunil Nair

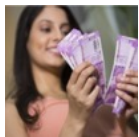
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