

RESEARCH**BOB Economics Research | Forex Update**

What the war has meant?

SUMMARY**India Economics: Forex Update**

The Ukraine war tended to cast a shadow on the forex market and the tendency was for currencies to depreciate against the dollar. The rupee was under pressure during the first part of the fortnight but recovered with the RBI swap of sell-buy of \$ 5 bn was completed. The rupee has ranged between Rs 76-77/\$ and would tend to be in this bracket till the month end. The decline in oil prices will help to assuage the currency.

[Click here for the full report.](#)**Daily macro indicators**

Indicator	14-Mar	15-Mar	Chg (%)
US 10Y yield (%)	2.13	2.14	1
India 10Y yield (%)	6.86	6.82	(4)
USD/INR	76.57	76.61	(0.1)
Brent Crude (US\$/bbl)	106.9	99.9	(6.5)
Dow	32,945	33,544	1.8
Hang Seng	19,532	18,415	(5.7)
Sensex	56,486	55,777	(1.3)
India FII (US\$ mn)	11-Mar	14-Mar	Chg (\$ mn)
FII-D	(52.2)	21.6	73.8
FII-E	(172.6)	126.9	299.5

Source: Bank of Baroda Economics Research



FOREX UPDATE

16 March 2022

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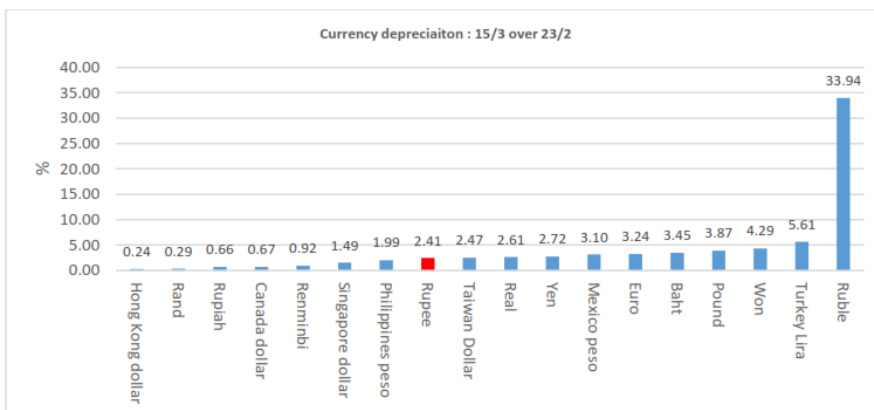
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How have currencies fared?

24th February was the turning point when Russia formally invaded Ukraine even while tension has been brewing for some time. The dollar has been strengthening against the euro since then with the appreciation being around 1% till the end of Feb followed by 2.26% in March till 15th. Cumulatively the dollar has gained by 3.24%.

The chart below gives the movement in currencies during the period 23rd February to 15th March in terms of depreciation against the dollar.

Currency depreciation %



Source: Pacific FX database

The chart shows that the rupee has performed relatively well during this period. For the 17 currencies considered here (excluding ruble), the median for the set is 2.47% which was the depreciation witnessed in the Taiwanese dollar. Indian rupee was a wee bit better at 2.41%. Hence there has been some effective intervention by the RBI which has controlled the depreciation. Given that there would be another set of \$ 5 bn which will enter the system with the reversal of the 2019 buy-sell swap of dollars which will mature on the 28th, the rupee will hold firm in this range.



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