

## Indian Rupee Treads Water; Oil Demand Seen

### \* Dollar demand from oil importers rises as month-end nears

\* Local shares gain 0.3 pct, aid rupee

\* Rupee seen in 48.50-51.50/dlr range in near term - traders (Updates to mid-morning)

**MUMBAI, Jan 25 (Reuters)** - The Indian rupee was little changed in narrow-band trade on Wednesday as month-end dollar demand from oil importers offset positive local shares.

At 10:30 a.m. (0500 GMT), the partially convertible rupee was at 50.0650/0700 to the dollar, after moving in a tight 49.99-50.10 band. It had closed at 50.07/08 on Tuesday.

"We could see some movement around the fixing, because people would be squaring off positions at that time," said Anil Kumar Bhansali, vice-president at Mecklai Financials.

Indian shares nudged higher on Wednesday, a day after the central bank indicated it would support growth, raising expectations for more foreign fund investments.

Oil is India's largest import item and oil refiners, who step up dollar purchases towards the month end to meet payment requirements, are the biggest buyers in the local market.

Brent crude held above \$110 on supply concerns as Iran renewed a threat to close a vital sea link -- the Strait of Hormuz -- while the demand growth outlook looks set to improve with positive economic indicators from Europe and the United States.

"I think at around 49.80 to 50 levels, there are a lot of buying interest in the market," a trader with a foreign bank said, adding the rupee could trade in a 48.50 to 51.50 range in the near term.

RBI Governor Duvvuri Subbarao's reiteration on Tuesday that recent administrative steps taken to curb speculation in foreign exchange would continue is likely to aid sentiment, the trader said.

Traders will be watching the federal government's budget proposals and reform initiatives for clues on fund inflows from foreign institutional investors (FIIs).

"Unless the government is proactive in opening up more sectors and showing some sense of urgency that they want to continue with the reform process, I don't think the FIIs are going to come in droves and invest here," the trader said.

One-month offshore non-deliverable forward contracts were quoted at 50.48, indicating some weakness in the short term in the onshore spot rate.

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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 all were around 50.08 on total volumes of \$752 million. (Reporting by Shamik Paul; editing by Malini Menon)

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*<http://in.reuters.com/article/2012/01/25/markets-india-rupee-idINL4E8CP3HP20120125>*