

India's rupee hits five-year high

India's rupee has hit a five-year high after Standard & Poor's (S&P) raised the country's foreign currency rating.

The rupee climbed to 43.305 per US dollar on Thursday, up from a close of 43.41. The currency has gained almost 1% in the past three sessions. S&P, which rates borrowers' creditworthiness, lifted India's rating by one notch to 'BB+'. With Indian assets now seen as less of a gamble, more cash is expected to flow into its markets, buoying the rupee.

"The upgrade is positive and basically people will use it as an excuse to come back to India," said Bhanu Baweja, a strategist at UBS. "Money has moved out from India in the first two or three weeks of January into other markets like Korea and Thailand and this upgrade should lead to a reversal." India's foreign currency rating is now one notch below investment grade, which starts at 'BBB-'. The increase has put it on the same level as Romania, Egypt and El Salvador, and one level below Russia.