

# ₹ tumbles past 88/\$ to fresh low on tariff hit

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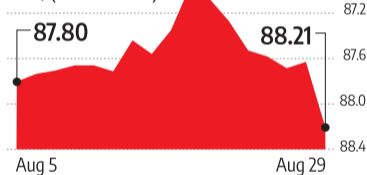
Mumbai, 29 August

The rupee slumped to an all-time low on Friday, depreciating 0.65 per cent against the dollar to settle at 88.21 per dollar, compared with the previous close of 87.63, amid uncertain growth prospects following the 50 per cent tariff imposed by the United States on Indian goods.

The Indian currency was the worst performing in Asia after the Indonesian rupiah. Its previous all-time closing low was 87.80 on August 5, while intraday it had touched 87.95 in February. On a

## From low to low

₹ vs \$ (inverted scale)



Source: Bloomberg

monthly basis, the rupee weakened 0.66 per cent in August, the steepest fall since May.

## Sensex, Nifty post 3rd straight fall

Equity benchmark indices Sensex and Nifty fell on Friday, extending their downward journey for the third consecutive day, as investors stayed under pressure due to US tariffs. BSE Sensex dropped 270.92 points or 0.34 per cent to settle at 79,809.65. NSE Nifty edged lower by 74.05 points or 0.30 per cent to 24,426.85.

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## ₹ among worst performers

Major currencies against \$	% change	
	1-day	1-month
Taiwan dollar	-0.1	-2.3
Indian rupee	-0.7	-0.7
Indonesian rupiah	-0.9	-0.3
South Korean won	-0.5	0.2
Hong Kong dollar	0.0	0.7
Mexican peso	-0.3	0.9
Chinese renminbi	0.0	0.9
Malaysian ringgit	-0.2	1.0
British pound	-0.3	2.0
Euro	0.0	2.3
Japanese yen	0.0	2.6
Brazil real	0.0	3.4

Note: Data as of August 29, 2025

Although Indian exports to the US make up just over 2 per cent of GDP, the high tariff is expected to hit sectors such as gems & jewellery, leather, and textiles, potentially leading to large-scale layoffs.

So far this year, the rupee has depreciated 3.02 per cent, making it the worst performer among Asian peers. In intraday trade, the rupee hit 88.31 to the dollar, prompting the central bank to intervene and trim losses, dealers said. They noted that while depreciation in the local currency could help boost exports, cushioning some of the impact of tariffs, pressure remains elevated.

"Outflows from equity markets, (US President) Donald Trump's tariff pressure on India, month-end oil demand and rupee-yuan dynamics are all creating pressure. The 87.95 level has finally been broken, triggering several stop-losses. Weakness may persist for some time," said Kunal Sodhani,

head of treasury at Shinhan Bank. "For USD-INR, 87.20 may now act as a base, with levels open to test 88.90. The RBI continues to hold decent FX reserves and may look to curtail excessive volatility through interim interventions but is unlikely to defend any particular level," he added. India's foreign exchange reserves stand at \$691 billion, covering 11 months of imports.

In the past four months, the rupee has fallen around 6 per cent against the Chinese yuan. The yuan-rupee exchange rate is considered crucial for India's trade competitiveness, as both countries compete directly in US-bound sectors such as textiles, engineering goods and chemicals. A weaker rupee against the yuan makes Indian exports relatively cheaper, partly offsetting the impact of higher US tariffs, traders said. Dealers pointed to hedging by importers and equity outflows as other triggers for the sharp

depreciation. Foreign investors have pulled more than \$1 billion from Indian equities in the past two sessions.

An FX dealer at a brokerage said: "Importers were waiting for a dip in USD-INR to hedge. Once the rupee breached 87.60, stop-losses were triggered, prompting banks to start buying dollars. This pushed the rate sharply above 88, with the RBI stepping in around 88.25 to curb volatility. The rupee also hit a new low against the Chinese yuan. Allowing it to depreciate against other emerging market currencies provides some cushion."

"Technically, 88 was a key hurdle, and that level has now

been broken. This marks a fresh breakout, with the next resistance at 88.55 and support at 87.90. Dollar inflows are currently lacking, leaving demand for the dollar relatively high," said Dilip Parmar, research analyst at HDFC Securities.

In the near term, pressure on the rupee may continue, with expectations it could touch 88.5-89.

Meanwhile, yields on government bonds rose. The 10-year benchmark yield climbed to 6.57 per cent from the previous close of 6.53 per cent, touching 6.60 per cent intraday as cut-off yields at the weekly auction came in higher than expected.

## 10 trn yen in 10 yrs: Japan promises big bet on India

He will address governors of several prefectures on Saturday. Partnerships already link Andhra Pradesh with Toyama, Tamil Nadu with Ehime, Uttar Pradesh with Yamanashi, and Gujarat with Shizuoka, according to a joint statement.

Asked if US tariffs figured in talks, Indian officials said Modi and Ishiba focused on bilateral issues. Still, sources noted that Tokyo's commitment to double private-sector investments and its support for India's semiconductor push comes at a time of turbulence triggered by Washington's trade policies. Foreign Secretary Vikram Misri said the two countries signed 150 memoranda of understanding (MoUs) worth \$13 billion over the past two years.

India has identified small and medium enterprises, and startups for increased Japanese funding. "Special attention" will be given to connecting SMEs and startups in both countries, Modi said.

Among the new deals, Japan's space agency Jaxa will support India's Chandrayaan-5 launch. Modi said it will create an ecosystem where innovation flows both ways -- from labs to launch pads, and from research to real-world applications. On high-speed rail project, the Indian Prime Minister told The Yomiuri Shimbun that the Mumbai-Ahmedabad bullet train will be operational in a few years and that "we have unveiled a bigger ambition: To have a 7,000-kilometre-long network of high-speed rail in our country".

"I welcome active participation by Japanese companies in this endeavour," he said.

The joint statement said India appreciates Japan's offer to introduce the E10 Shinkansen series in the early 2030s. Modi also sought Japanese investments in ports, aviation, shipbuilding, road transport, railways and logistics. Modi and Ishiba reaf-