

Rupee hits fresh low of 84.11 against dollar

Dealers cite foreign outflows, caution ahead of US polls as reasons

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The rupee depreciated to a new intra-day low of 84.11 against the US dollar on Thursday, on the back of outflows from domestic equities and caution ahead of the results of the US presidential elections, said dealers.

Market participants said the Reserve Bank of India (RBI) intervened in the foreign exchange market through dollar sales, which prevented the rupee from falling further.

The local currency settled at 84.09 per dollar on Thursday, compared to 84.08 against the greenback on Wednesday.

“The rupee depreciated due to outflows, and foreign banks have been buying dollars,” said a dealer at a state-owned bank. “The RBI is protecting the 84.09 per dollar level,” he added.

The greenback has been strengthening globally as the likelihood of a Donald Trump victory increases. Trump’s inclination towards tariffs and higher borrowing has pushed US yields upward, leading to continuous capital outflows from other markets.

The dollar strengthened over the week due to rising US yields, the “Trump trade,” and a weakening yen. The yen’s depreciation was partly driven by Japan’s recent elections, where no party secured a majority, leaving the country in political uncertainty despite the ruling LDP winning the most seats.



However, the yen rebounded slightly to 152.47 after reaching a low of 153.80. High US yields continue to exert pressure on the yen and other Asian currencies, although the CNH showed some resilience, buoyed by a better-than-expected Manufacturing PMI above 50 for the first time in six months.

“Foreign portfolio investors continued to sell, and the Indian rupee fell to a new low, but the RBI continued to sell dollars to keep the rupee afloat at the time of closing. The rupee is expected to remain in the range of 84.00 to 84.20 next week as the RBI may continue to absorb the outflows by providing dollars,” said Anil Kumar Bhansali, head of treasury and executive director at Finrex Treasury Advisors LLP.

Market volatility is anticipated with the upcoming Non-Farm Payrolls (NFP) report, US presidential election, and the

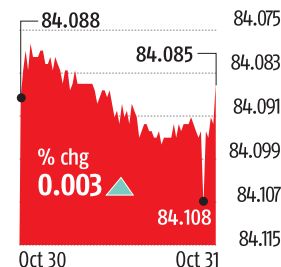
Federal Open Market Committee meeting. The rupee has hit a series of record lows this month, prompting central bank intervention, although it has been one of the least volatile major Asian currencies, holding to a narrow range of 83.79-84.09 per dollar.

India’s foreign exchange reserves dropped for a third week to \$688.27 billion as on October 18, their lowest in more than a month, the latest RBI data showed, although they remain the world’s fourth-largest, sufficient to cover its entire level of external debt and nearly a year of imports.

China’s stimulus efforts, which could intensify if US tariffs further hurt its economy, have been a factor driving foreign funds out of India and other emerging markets into China.

THE GRAPH

₹ vs \$ (inverted scale)



Source: Bloomberg
Compiled by BS Research Bureau

(With inputs from Reuters)