

Rupee closes at fresh low of 85.76 against dollar

Dealers say it may breach 86/\$ mark in the next few days

BS REPORTER

Mumbai, 2 January

The rupee further weakened against the dollar on Thursday and hit another record closing low of ₹85.76 compared to its previous close of ₹85.65.

The Reserve Bank of India (RBI) intervened to sell dollars at ₹85.78 levels which pulled down the Indian currency to ₹85.67 during afternoon trade. The rupee, however, weakened again to close at a new low.

State-run banks were spotted selling dollars to the tune of \$800 million to \$1 billion, traders said.

“The dollar has strengthened, and crude oil prices have risen. We might see some more pressure by January 15 as Donald Trump will assume office. The RBI was there with banks protecting excess volatility,” said a dealer at a state-owned bank.

“They could have sold around ₹800 million-\$1 billion,” he added.

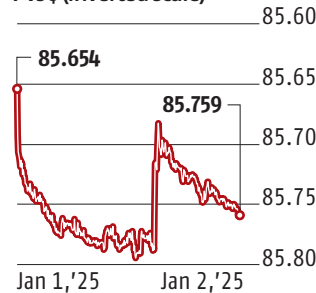
RBI has been active in the foreign exchange market to curb excess volatility, which has slowed down the pace of depreciation.

It net sold about \$9.26 billion in October, latest data which is released with a 2-month lag,

HIGH VOLATILITY



₹ vs \$ (inverted scale)



Source: Bloomberg

showed.

“RBI’s FX policy could turn less interventionist and allow the rupee to adjust weaker, even as RBI will unlikely let the rupee go completely,” Michael Wan, senior currency analyst of MUFG Bank wrote in a note.

The rupee may drop to ₹88.50 per dollar by December due to disappointing direct investment inflows and soft goods exports

weighing on the currency, according to the note.

MUFG turned more cautious on the rupee as it was earlier expecting the currency to fall to ₹86 by December 2025. The rupee has depreciated 2.8 per cent in 2024 – its seventh straight year of weakening against the dollar.

Dealers said the currency may breach the ₹86-mark in the next few days.

“The rupee might breach ₹86 per dollar in the next 2-3 sessions as the Dollar index moves past 108.30,” said VRC Reddy, treasury head at Karur Vysya Bank.

“Today, the RBI intervened at ₹85.78 per dollar level but again the rupee depreciated to close around ₹85.76 per dollar. So, the depreciation bias is there and it will continue till Trump officially takes charge,” he added.

The central bank has short positions in the forward segment of \$60 billion, dealers estimated.

This means the RBI has to buy dollars to square off, which in turn, will put further pressure on the Indian unit.

Foreign exchange reserves have fallen around \$60 billion in the last three months as the RBI used the reserves to slow the currency’s depreciation.