

Trump tariffs hammer mkts globally, ₹ sinks below 87/\$

Domestic equity losses limited but ₹ expected to decline further; all eyes on MPC now

ANJALI KUMARI & SUNDAR SETHURAMAN
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Indian stocks and the rupee tumbled Monday, tracking a global selloff after US President Donald Trump followed through on his tariff threats, imposing a 25 per cent levy on imports from Canada and Mexico and an additional 10 per cent tariff on Chinese goods. With world leaders bracing for Washington's next move, the European Union appeared to be next in line.

GOVT NOT WORRIED ABOUT ₹ VOLATILITY: REVENUE SECY

Finance and Revenue Secretary Tuhin Kanta Pandey said the government is not worried about the rupee's ups and downs, caused by international money movements. **PG 4**

The US president, however, later decided to "immediately pause anticipated tariffs for one month" with Mexico after following his call with Mexican counterpart

Claudia Sheinbaum. Negotiations would continue to reach a "deal" between the two countries, he said.

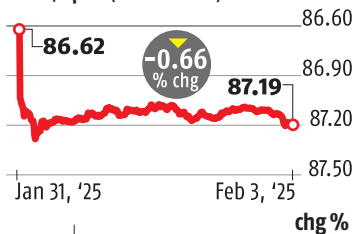
The rupee breached the key 87 per dollar mark, hitting an intraday low of 87.30 before the Reserve Bank of India (RBI) intervened, limiting losses. The currency closed at 87.19 per dollar, down 0.7 per cent from the previous session.

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LOSING CURRENCY

Challenging phase

₹ vs \$ spot (inverted scale)



Period	% chg
1-year	-4.89
FYTD	-4.34
YTD	-1.81

How ₹ declined

Date	₹ vs \$ (close)	Sessions
79-80 Sep 22, '22	80.87	57
80-81 Sep 26, '22	81.62	2
81-82 Oct 07, '22	82.33	8
82-83 Oct 19, '22	83.02	8
83-84 Oct 11, '24	84.07	478
84-85 Dec 19, '24	85.07	46
85-86 Jan 13, '25	86.58	16
86-87 Feb 03, '25	87.13	15



Major currencies vs \$

	Jan 31	Feb 3	% chg
Mexican peso	20.7	21.1	-1.9
South African rand	18.7	18.9	-1.5
Euro	1.0	1.0	-1.2
Indonesian rupiah	16,305.0	16,448.0	-0.9
South Korean won	1,454.0	1,466.1	-0.8
British pound	0.8	0.8	-0.7
Indian rupee	86.6	87.2	-0.7
Chinese renminbi	7.2	7.2	0.0
Japanese yen	155.2	154.9	0.2

Global indices flash red

Name	Close (Feb 3)	1-day chg (%)
THE US (until 9:50 pm IST)		
Dow Jones Industrial Average	44,510	-0.1
S&P 500	6,001	-0.6
Nasdaq Composite	19,416	-1.1
EUROPE (until 9:50 pm IST)		
Euro Stoxx 50 Pr	5,208	-1.5
DAX	21,387	-1.6
ASIA		
TAIEX	22,695	-3.5
Nikkei 225	38,520	-2.7
KOSPI	2,454	-2.5
Nifty 50	23,361	-0.5
Sensex	77,187	-0.4
SSE Composite	3,251	-0.1
Hang Seng	20,217	0.0

Source Bloomberg; Compiled by BS Research Bureau

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TAKE TWO TRADE, TARIFFS & TRUMP P10

FPIs offload shares worth nearly ₹4K cr

Asian currencies, including those of Taiwan, Indonesia, Thailand, and South Korea, fared worse amid fears that the tariffs could escalate into a full-blown trade war. The dollar index surged 1.35 per cent to 109.83, reflecting the greenback's strength against a basket of six major currencies.

The equity benchmarks, Sensex and Nifty 50, fell around 0.5 per cent, a relatively muted reaction compared to global markets, which sank close to 2 per cent.

In intraday trade, both Sensex and Nifty 50 had fallen over 1 per cent, with the Sensex hitting a low of 76,756 before closing at 77,187 — down 319 points, or 0.41 per cent. The Nifty shed 121 points, or 0.5 per cent, to end at 23,361. The broader market saw sharper declines, with the Nifty Smallcap 100 tumbling 2.1 per cent and the Nifty Midcap 100 sliding 0.93 per cent.

Foreign portfolio investors (FPIs) offloaded shares worth nearly ₹4,000 crore on Monday, while domestic investors were net buyers to the tune of ₹2,708 crore. FPIs had already sold ₹75,000 crore worth of Indian shares in January, making it the second-largest monthly outflow after ₹92,000 crore in October 2024.

Wall Street also took a hit. The S&P 500 slid nearly 1.5 per cent in early trade, while the tech-heavy Nasdaq fell 1.8 per cent and the Dow Jones Industrial Average dropped 1.3 per cent. These indices recovered a bit after Trump's decided to put tariffs on Mexico on hold but they were still trading in the red at around 9.30 pm IST.

Oil prices climbed amid fears of supply disruptions, though gains were tempered by concerns over a potential economic slowdown. Brent crude futures rose \$1.55, or 2

per cent, to \$77.22 a barrel by 7.32 p.m. IST, after touching an intraday high of \$77.34.

The rupee's 0.7 per cent drop marked its steepest single-day decline since January 13, when it first crossed the 86-per-dollar threshold. The currency has depreciated 4.34 per cent in the current fiscal year and 1.81 per cent since January. The Indian unit slid from 86 to 87 per dollar in just 15 trading sessions. It had previously taken 16 sessions to move from 85 to 86, 46 sessions to reach 85 from 84, and as many as 478 days to shift from 83 to 84.

Stocks in the railways and road infrastructure sectors fell for a second straight session, hit by disappointment over the modest capital expenditure growth outlined in the Union Budget. Shares of Larsen & Toubro declined 4.6 per cent, extending their two-day fall to over 7 per cent and weighing on both the Sensex and Nifty.

Consumer goods stocks lost steam, with the Nifty FMCG index falling 1.7 per cent. Metal stocks also slid after the US slapped a 10 per cent tariff on Chinese imports, denting sentiment for the world's largest metal producer.

Market participants pointed to expectations of an interest rate cut by the RBI's Monetary Policy Committee (MPC) as an additional weight on the rupee. The domestic currency could slip to 87.50 per dollar if the MPC lowers the policy repo rate at its meeting Friday. "There are two factors now: Trump put tariffs, due to which the rupee depreciated; there are expectations of a rate cut, too. That's why the rupee is getting weak," said the treasury head at a state-owned bank.

He added that the 2025-26 Budget hinted at a shift toward con-

sumption, suggesting room for a rate cut. "The RBI stepped in but not aggressively. They defended the 87.25 level, likely selling \$2 billion \$3 billion. If the MPC cuts the repo rate, expect 87.50 levels."

The six-member rate-setting panel is widely expected to reduce the policy repo rate by 25 basis points — the first such move in almost five years.

Some analysts foresee China retaliating by imposing counter-tariffs on American goods, further devaluing the yuan, or ramping up exports to other countries, potentially pressuring Asian currencies. "While the tariffs imposed on China are not as aggressive as those on Mexico and Canada, this marks the beginning of another phase in the long-running trade war, with risks of further escalation. We see intensified downside risk to the CNY and other Asian currencies such as KRW (Korean won), MYR (Malaysian ringgit), and THB (Thai baht)," according to a note by Barclays. Just as the Budget lifted investor sentiment, escalating trade tensions have reintroduced uncertainty. Against this backdrop, experts said, the MPC's decision will be closely watched for cues on how policymakers plan to navigate the shifting landscape.

"We believe that a repo rate cut is on the cards soon, as the Budget has done well to spur growth and with expectations of inflation to come down, this could be the right time. But the currency issue has popped up again, which can lead to some serious discussion. The liquidity induction measures of the RBI did improve the situation," said Madan Sabnavis, chief economist at Bank of Baroda. "The next few days will be critical as they will tell more on what China is going to do."

