

Rupee inches up as \$ index moderates

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Mumbai, 3 April

The rupee recovered losses to end higher than its previous close against the dollar amid a 1 per cent drop in the dollar index. The dollar weakened following concerns over a potential hit to US economic growth after its President Donald Trump imposed reciprocal tariffs on its trading partners.

The dollar index, which measures the strength of the greenback against a basket of six major currencies, dropped below the 102 mark on Thursday.

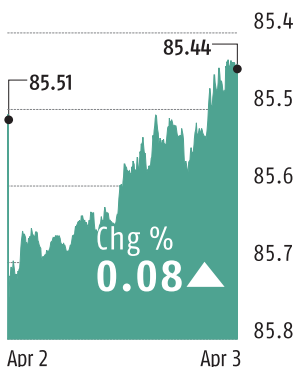
The local currency started the trading session on a weaker note at 85.75 per dollar. It, however, regained ground by the end of the day on the back of inflows, said dealers.

The rupee settled at 85.44 per dollar, against the previous close of 85.51 per dollar. It has appreciated by 0.2 per cent against the dollar in the current calendar year so far. While most Asian currencies strengthened against the dollar, the rupee was the best-performing Asian currency among its peers with 0.8 per cent appreciation.

The domestic currency is expected to trade within a narrow range in the short term, given the lack of significant triggers, said market participants. In the medium term, the local currency is likely to follow the movements of the dollar index, they said.

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₹ vs \$ (inverted scale)



Source: Bloomberg

"After this event, we don't see any significant triggers for rupee, we'll see it trading in a range of 85.10 per dollar to 85.80 per dollar in the short term," said the treasury head at a private bank.

As the rupee has already appreciated beyond 85.50 against the dollar, substantial appreciation is unlikely, market participants said.

"The RBI will most likely start buying dollars with no immediate threat for the currency. The dollar index is also likely to be under pressure on growth concerns," said the treasury head at a state-owned bank. "If we look at the Real Effective Exchange Rate (REER), we are doing well on that front too," he added.