

LOCAL UNIT FALLS 14 PAISA FOR THE FOURTH CONSECUTIVE DAY TO END AT 83.96

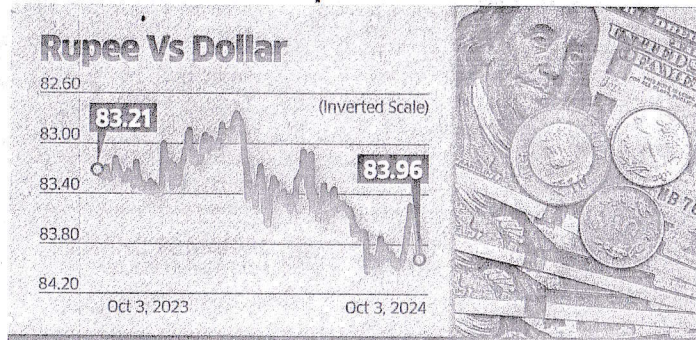
Rupee Gets Its Worst Knock in 2 Months

Our Bureau

Mumbai: The rupee registered its worst single-day fall in two months to end at 83.96 per US dollar on Thursday, LSEG data showed, as geopolitical tensions in the Middle East and rallying crude oil prices turned traders risk averse. Tempered expectations of another large rate cut by the US Federal Reserve in November also put pressure on the rupee.

The local unit weakened 14 paisa for the fourth consecutive day and ended at 83.96 per US dollar, versus its previous close of 83.82/\$1, LSEG data showed. Likely central bank intervention kept the local currency from crossing the 84/\$1 mark, traders said.

"The rupee's drop is due to geopolitical tensions between Iran and Israel, which had its impact on the financial markets, triggering the risk-off. Domestic equities also witnessed outflows from India and Brent Crude prices saw a rally due to uncertainties on the geopolitical front," said Kunal Sodhani, Vice President, FX & Rates Treasury,



Shinhan Bank India.

Brent crude oil prices were up 2.06%, at \$75.42 per barrel due to concerns that such escalation could prompt Iran to block the Strait of Hormuz, a key logistical choke point through which a fifth of daily oil supply passes, according to Reuters.

A rise in crude oil prices is detrimental for domestic trade and inflation as India is a major importer of the commodity.

The country's current account deficit also widened marginally to \$9.7 billion or 1.1% of GDP in April-June 2024, as against \$ 8.9 billion or 1% in

FPI SELLOFF

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the year-ago period, the Reserve Bank of India said on Monday.

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worth Rs. 15,242 crore, according to BSE data. Other Asian currencies like the Malaysian ringgit and Indonesian rupiah slipped about 1% versus the US dollar.

"Since China announced its fiscal stimulus, there is a lot of reallocation happening in favour of Chinese assets and we are seeing a lot of outflows from other Asian emerging markets like Indonesia too. However, we are not seeing those kinds of outflows from India towards China yet", said Upasna Bhardwaj, chief economist at Kotak Mahindra Bank.

The recent 0.5% rate cut by the US Fed had caused the rupee to strengthen in September, as a wider interest rate differential makes emerging market assets more attractive. However, the US Federal Reserve chair Jerome Powell said on Monday that the recent 0.5% interest rate cut shouldn't be interpreted as a sign that future moves will be as aggressive, adding further pressure on the local currency.

The likelihood of another 50 basis point rate cut by the US Fed in November is 35%, according to the CME FedWatch tool.

10-Year Yield Rises to 6.77%

Mumbai: Indian government bond yields rose on Thursday, tracking the rise in US peers and oil prices amid fears of a widening Middle East conflict after Iran fired missiles at Israel.

The benchmark 10-year yield ended at 6.7765% on Thursday, compared with its previous close of 6.7339%. The market was shut on Wednesday for a public holiday.

"The overall sentiment has taken a hit due to the escalation of geopolitical conflicts in the Middle East, pushing yields higher," Yogesh Kalinge, associate director at A.K. Capital Services, said. - Reuters