

Rupee hits a record low of 85.82 against dollar

Our Bureau
Mumbai

The rupee on Monday closed at a record low of 85.8275 per US dollar in the backdrop of the latter gaining strength and FPI related outflows from the equity market.

Opening at 85.7950 per dollar, the rupee ended the day about 6 paise weaker vis-a-vis the previous close of 85.77. Intraday, it tested a low of 85.84.

The 30-share bellwether BSE Sensex declined 1.59 per cent (or down 1,258.12 points) at 77,964.99 as the HMPV virus cast its shadow on market sentiment. The 50-share Nifty fell 1.62 per cent (or down 388.70 points) to close at 23,616.05.

DOLLAR DEMAND

Forex dealers said there was persistent demand for dollars from custodial banks on behalf of their FPI clients. The RBI is believed to have intervened in the market to curb volatility in the movement of rupee-dollar.

"With Donald Trump set to take charge as US President later this month and the

US economy seems poised to grow robustly, the US dollar may continue to gain strength and accelerate INR's depreciation in the March 2025 (fourth) quarter than just a 1.4 per cent depreciation witnessed in 9MFY25," said Incred Research Services, in a note.

Bank of Baroda economists cautioned that the rupee depreciation can lead to imported inflation which can manifest itself into higher core inflation.

Deutsche Bank India, in a report, observed that rupee is likely to depreciate with or without rate cuts.

"We have a forecast of rupee depreciating to 87 by end-March 2026, which can be seen earlier as well, if the tariff war escalates more than what we have factored in at this stage and the RBI relaxes its FX intervention strategy. The RBI not cutting rates will not prevent rupee depreciation, but it will hurt the growth prospects for 2025 and beyond, in our view. Therefore, the interest rate policy should not be linked to the FX policy, in our view," said the bank's economists.