

Rupee falls 1% as robust US jobs data stokes Fed rate hike fears

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The rupee weakened by 89 paise, or 1.08 per cent, vis-à-vis the US dollar on Monday, suffering its biggest single-day fall in four months on the back of unexpectedly strong US employment data, which stoked fears that the US Federal Reserve would hike rates for longer than anticipated.

The currency closed at 82.73 per dollar on Monday, versus 81.84 per dollar at the previous close. Monday's fall marked the largest single-day depreciation



ILLUSTRATION: AJAY MOHANTY

HOW ASIAN CURRENCIES FARED

	Feb 3	Feb 6	% change
Thai baht	33.0	33.7	-2.1
South Korean won	1,229.4	1,253.2	-1.9
Philippines peso	53.7	54.4	-1.3
Indian rupee	81.8	82.7	-1.1
Indonesian rupiah	14,893.0	15,055.0	-1.1

Compiled by BS Research Bureau

Source: Bloomberg

since September 22, 2022. As a result, the rupee wiped out almost all the gains notched up against the dollar thus far in 2023. The currency had closed at 82.74 against the greenback

on the last trading day of 2022.

The spark

Data released after Indian trading hours on Friday showed that US non-farm jobs increased by 517,000, against

estimates of 185,000. The data showed that the US labour market remained unusually resilient despite 450 basis points (bps) of interest rate hikes by the US Fed since March 2022. Turn to Page 6 ▶

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₹ falls...

Globally, investors fear that the US Fed will have to continue raising interest rates for longer than expected to cool labour markets and bring down infla-

tion. Higher US interest rates lead to a stronger dollar as investors worldwide prefer higher returns in the world's largest economy. A firm greenback exerts pressure on emerging market currencies like the Indian rupee. At 3:30 pm IST on Monday, the US dollar index, a benchmark for the

international value of the currency, was at 103.29 versus 101.67 at the same time on Friday. "The dollar index strengthened the way it did, and all Asian currencies lost today. There is a fear that the US Fed will hike [rates] for longer. Their 2 per cent inflation target is quite far off. They have to force the economy to slow down or go into a recession just by hiking rates," said Bhaskar Panda, HDFC Bank's executive vice-president of overseas treasury. He said he expected the rupee to hover in the 82-83 per dollar range in the near term, adding that if it went beyond 83 the Reserve Bank of India was likely to intervene.

While the rupee took a beating on Monday, it did not suffer as much as some other Asian currencies such as the Thai Baht and the South Korean Won, which lost 2.1 per cent and 1.9 per cent, respectively, versus the US dollar.

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