# Rupee weakens against $ on Trump's renewed tariff threat

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The rupee weakened sharply against the dollar on Monday, settling 47 paise lower at 85.86 per dollar.

The decline was primarily triggered by US President Donald Trump's announcement of an additional 10 per cent tariff on countries aligning with Brics (the grouping of Brazil, Russia, India, China and South Africa) policies. This, he described as "anti-American".

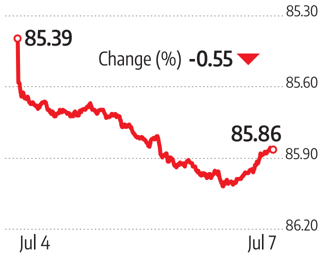
During the day, the rupee breached the 86 per dollar mark, hitting a low of 86.03 before recovering slightly. According to dealers, the partial recovery was likely due to intervention by the Reserve Bank of India (RBI) through dollar sales.

Adding to the pressure was renewed strength of the US dollar amid rising uncertainty over trade policies. Market caution intensified as the 90-day extension on tariff suspensions is set to expire on Wednesday, with no formal trade agreements signed so far. The lack of clarity on future trade arrangements has made investors more risk-averse, contributing to the rupee's decline, said dealers.

Additionally, there was a strong dollar demand from a major private bank, which further added pressure on the local currency. The rupee's fall below the 85.80 per dollar level triggered stop-loss orders, leading to further decline, said dealers.

### Feeling the jitters

₹ vs $ (spot) (Inverted scale)




Source: Bloomberg

In the absence of positive developments on the trade front, market participants expect the rupee to weaken further. It could potentially touch 86.50 per dollar in the near term. The dollar index was trading at 97.36, against the previous day's 96.95. It measures the strength of the greenback against a basket of six major currencies.

"Dollar has strengthened and there was a lack of inflows in the market. The RBI has intervened around 86 levels," said a dealer at a state-owned bank. President Trump's declaration, made via a social media post, stressed that there would be "no exceptions" to the proposed tariffs. This announcement has added fresh uncertainty to global trade dynamics, with emerging markets like India bearing the brunt of investor nervousness.

Given the heightened volatility, the RBI is expected to keep a close watch and may intervene again to stabilise the rupee.

"If the deal doesn't happen, we might see 86.50 per dollar mark. The RBI will be there to contain volatility," said another dealer at a state-owned bank.

Meanwhile, the 10-year 2035 bond has now gained sufficient secondary market liquidity to be widely recognised as the new benchmark government security. It would replace the earlier 6.79 per cent 2034 bond. Although the 2035 bond saw a slower start, partly due to fewer auctions, its liquidity has steadily improved. The benchmark bond yield settled at 6.29 per cent, against the previous close of 6.30 per cent. According to bond market participants, over the past month, it has reached the threshold needed to support large trades in the range of ₹1,000–2,000 crore with minimal market impact, a key criterion for benchmark status.