

# Biggest fall in nearly 5 months pulls down rupee to fresh low

Declines 0.20% to 84.28 a \$; still 2nd best Asian currency

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ILLUSTRATION: AJAY MOHANTY

The rupee fell 0.20 per cent on Wednesday to settle at a new low of 84.28 per dollar, marking the largest single-day decline since June 20 this year.

However, it was the best-performing Asian currency after the Hong Kong dollar. The rupee had closed at 84.11 on Tuesday.

The Thai baht and Japanese yen depreciated the most against the greenback with 1.92 per cent and 1.66 per cent depreciation, respectively.

The local currency fell as Republican candidate Donald Trump was elected as the 47th President of the United States (US), defying expectations and securing a greater number of nationwide votes than Kamala Harris. Trump is seen as a proponent of a strong dollar and his stance is a factor in pushing US yields higher, driven by anticipated populist measures that could increase borrowing, inflation, and yields.

Trump has pledged to implement a 10 per cent tariff on imports from all countries and impose a 60 per cent duty on Chinese goods.

US Treasury yields surged to 4.48 per cent, later stabilising at 4.44 per cent. Meanwhile, the dollar index climbed to 105.32 before retreating to 104.95.

"The rupee was trading in a narrow range for the past two years, and was a bit overvalued too. But now given that the dollar index is rising and other Asian currencies are depreciating, there will be an impact on the rupee too," said Gopal Tripathi, head of treasury and capital markets, Jana Small Finance Bank.



## LOSING GROUND

Major Asian currencies against \$

	Nov 5, '24	Nov 6, '24	Change 1D (%)
Thai baht	33.61	34.27	-1.92
Japanese yen	151.62	154.18	-1.66
China renminbi	7.10	7.18	-1.02
Bangladesh taka	119.53	119.78	-0.21
<b>Indian rupee</b>	<b>84.11</b>	<b>84.28</b>	<b>-0.20</b>
Hong Kong dollar	7.77	7.77	-0.03

Compiled by BS Research Bureau

Source: Bloomberg

This financial year the rupee depreciated 1.04 per cent while this calendar year depreciation was 1.27 per cent.

"Foreign banks were buying (dollars) since morning. The Reserve Bank of India (RBI) was there at around 84.25 and that is why it retracted for a while," said a dealer at a state-owned bank.

"The next resistance is seen at 84.50," he added.

The markets now await the US Federal Open Market Committee (FOMC) meeting outcome on Thursday. The US rate-setting panel is expected to cut interest rates by 25 basis points. The expectation of a 25 basis point cut in December has dropped to around 68 per cent, down from nearly 80 per cent the

previous day, according to the CME FedWatch tool. On the domestic front, the RBI's Monetary Policy Committee is expected to start cutting the repo rate next financial year.

"Let's see if the Fed cuts rates after the massive rise in yields from 3.65 per cent to 4.48 per cent. The US economy has been doing well and is expected to continue doing well in the coming days," said Anil Kumar Bhansali, head of treasury and executive director, Finrex Treasury Advisors LLP.

Market participants said the rupee was expected to trade between 84.10 and 84.40 on Thursday because the RBI is expected to permit gradual depreciation while avoiding excess volatility.