## Rupee depreciates by 43 paise amid a strong dollar

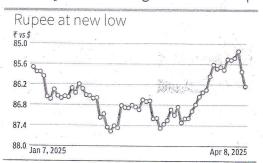
MARKET VOLATILITY. 'Bond yields inched higher ahead of RBI policy decision'

Our Bureau Mumbai

The rupee depreciated by 43 paise, vaulting over 86 to the dollar mark, amid a strong dollar, which appreciated with rising US Treasury yields, a weak Chinese currency and importers' hedging activity.

The rupee, which fell 60 paise on Monday, closed at over a two-week low of 86.2650/dollar (85.8350) even as the equity market recovered about half of the previous day's losses. Intraday saw a low/high of 86.2925/85.8325.

Abhishek Goenka, Founder & CEO, India Forex Advisors, observed that the rupee's weakness stemmed from dollar strength, driven by surging US Treasury yields (2-year and 10-year yields rose 22–24 basis points) and renewed trade



tensions following President Donald Trump's threat of a 50 per cent tariff on Chinese imports.

Global risk sentiment remained fragile, with the dollar/CNH (Chinese Yuan Offshore) pair testing the critical 7.35 resistance level, raising concerns of potential spillover pressure on emerging market currencies.

"Domestically, Indian equities recovered partially after volatile swings, while

bond yields inched higher ahead of the RBI policy decision. Market volatility spiked, with 3-month ATM (at-the-money) implied volatility climbing 40 bps to 4.44 per cent, reflecting heightened uncertainty," he said. Goenka expects the rupee to maintain a weakening bias as cautious sentiment persists amid global trade risks and yuan instability, compounded by importers accelerating hedging activities and speculation around China's yuan devaluation.

Madan Sabnavis, Chief Economist, Bank of Baroda, said, "The exchange rate cannot be taken for granted in either direction. FPI flows all over the world have become jittery as the tariff rollout has affected all nations and the stock markets have become nervous. This will be a major consideration for the RBI as FY26 will continue to bring the same kind of emotions on the forex side as in FY25."

## IMPACT ON SECTORS

Crisil Ratings, in its 'credit alert', observed that rupee's sharp volatility is set to dent the earnings of some sectors by up to 250 bps in FY26. These include complex fertilizers, airlines, oil and gas (refining and marketing), PVC pipes and fittings, capital goods, pharmaceuticals (active pharma ingredients) and renewable power.