

# Tracking yuan, ₹ declines further; importers stock \$

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Mumbai, 8 April

The rupee depreciated further on Tuesday, tracking the weakness in the yuan, amid dollar demand by importers, said dealers. Foreign portfolio investors (FPIs), who have shifted back to a selling position in Indian equities, contributed significantly to the dollar demand.

The rupee fell by 0.5 per cent to settle at 86.26 per dollar, against the previous close of 85.86 per dollar. The Indian unit had weakened 0.7 per cent on Monday.

US President Donald Trump's recent threat of imposing a 50 per cent tariff on Chinese imports has escalated trade tensions between the US and China. Such threats amplify uncertainty in global markets, weighing on investor sentiment and leading to a flight to safety, further strengthening the US dollar. The Chinese Yuan fell to 7.35, a psychologically crucial level, said dealers. Yuan fell to its lowest level since September 2023 after indications that the Chinese central bank will be more tolerant of weak currency to counter the impact of the tariff. The dollar strengthened largely driven by a significant rise in US Treasury yields, particularly on the 2-year and 10-year notes, which saw an increase of 22 to 24 basis points (bps). The dollar index rose to 103.27 on Tuesday against 102.75 on Monday. It measures the strength of the greenback against a basket of six major currencies. Additionally, oil companies capitalised on the recent decline in global oil prices, which have hit a four-year low, intensifying the demand for US dollars and adding to the rupee's downward pressure.

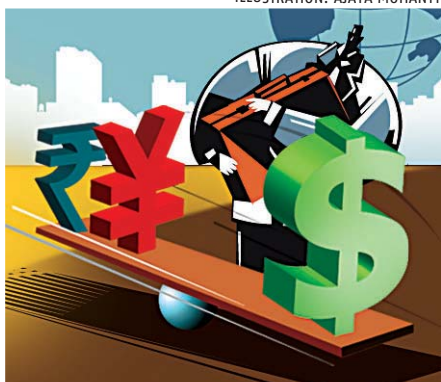
"FPIs have again turned equity sellers and started to buy dollars. Importers who were unhedged and also oil companies taking advantage of lower oil also started to buy dollars. Exporters can sell now and hedge their export positions with importers getting good opportunities up to 85 levels," said a dealer at a state-owned bank.

The rupee reversed all gains for the calendar year on Monday and continues to trade with a depreciation bias. However, it is expected to stabilise around 85.50 per dollar. The rupee has depreciated by 0.8 per cent in the current calendar year so far.

"The rupee is expected 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 Yuan devaluation," said Abhishek Goenka, founder and chief executive officer (CEO) of IFA Global.

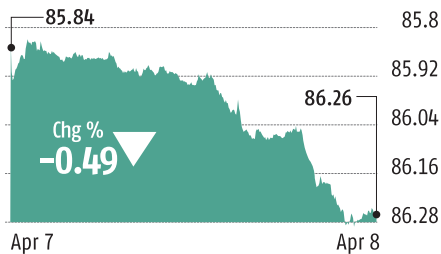
In March, the rupee had regained strength against the dollar, buoyed up by inflows, after

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## RUPEE SLIPS BELOW 86

₹ vs \$ (inverted scale)

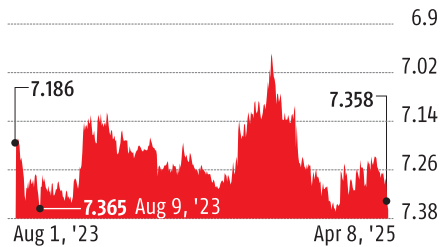


Source: Bloomberg

Compiled by BS Research Bureau

## RENMINBI HITS 19-MONTH LOW

Chinese Yuan vs US \$ (inverted scale)



Source: Bloomberg

hitting new lows earlier in the year. It had recovered from nearly 88 per dollar to regain all losses for the calendar year.

"We have the Reserve Bank of India (RBI) monetary policy committee (MPC) meeting tomorrow in which the central bank is expected to cut rates by 25 bps, which is slightly negative for the rupee," said Anil Kumar Bhansali, head of treasury and executive director, Finrex Treasury Advisors LLP.

The RBI will announce the outcome after the MPC meeting, which is widely expected to lower the policy repo rate by 25 bps to 6 per cent to support growth.