

Rupee closes flat after hitting low of 85.94 vs dollar

ANUPREKSHA JAIN
Mumbai, January 9

THE RUPEE ON Thursday ended flat after hitting a lifetime low of 85.94 against the dollar during intra-day trade.

The rupee continued with its downward trajectory as the dollar index maintained an upward momentum as minutes of US Fed's December 17-18 meeting showed that it is expected to dial back the pace of interest rate cuts this year in the face of persistently elevated inflation and the threat of wide-spread tariffs and other potential policy changes. A clear division among the Fed's 19 policymakers was also very clear. Some expressed support for keeping the central bank's key rate unchanged while a majority of the officials said the decision to cut rates was a close call.

However, dollar sales by the state-owned banks on behalf of the Reserve Bank of India helped limit the losses.

On Thursday, the rupee ended at 85.86 a dollar, flat compared with Wednesday's closing level. Market participants said the RBI intervened in the currency market at 85.93 levels, lending support to the currency. Further, inflows of around \$1.5 billion on account of Exim Bank of India's recent offshore fundraising provided support to the rupee.

With the dollar index gaining 0.1% to around 109, most Asian currencies declined.

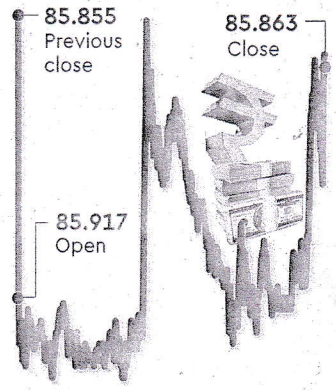
"FPIs (foreign portfolio investors) are buying dollars, the RBI is protecting, but again it is allowing it (rupee) to depreciate as it is overvalued by 8%. All Asian and European currencies are down on hawkish FOMC minutes and strong key US economic data," said a forex trader at a foreign bank.

Market participants were betting that the rupee may breach the 86/\$ mark by the end of January because of overvaluation.

OUTLOOK BEARISH

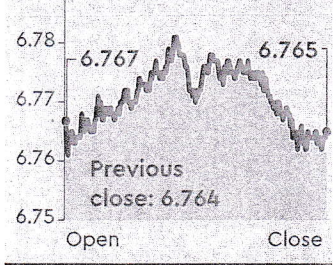
Rupee vs dollar

Intra-day, Jan 9 (inverted scale)



10-year govt bond yield

Intra-day (%), Jan 9



The market now awaits US labour data due on Friday. The job market is expected to rise by 154,000, which could be considered as an indication of strong growth of jobs in the US. Amid all these apprehensions and uncertainties, the rupee may trade in a range of 85.75-86.00 on Friday.

"Rise in US yields and FPIs outflows have been putting pressure on the rupee. Moreover, a set of mixed data from the US such as weekly unemployment claims supported the dollar while strong non-farm unemployment data was disappointing. Investors will now watch out for non-farm payroll data," said a forex trader at a large brokerage.