Nearing 88, ₹ hits new low against $

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The rupee on Monday fell to its new all-time low of 87.95 level per US dollar in intraday trading but recovered slightly to close at 87.48, aided by the Reserve Bank of India's likely intervention, experts say.

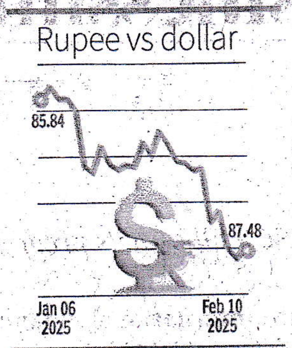
"With the recent easing of the liquidity deficit and a sudden spike in the USD/INR pair, the RBI has stepped in to stabilise the currency as the USD/INR pair eyed the critical 88 mark. With foreign exchange reserves exceeding $630 billion and with a cushion of import cover of up to 10 months, the central bank is willing to slow the current steep depreciation cycle also preventing excess volatility," said Amit Pabari, MD at CR Forex.

OUTLOOK

According to Madan Sabnavis, chief economist at Bank of Baroda, global uncertainty factor is currently driving the rupee depreciation and markets will be looking for signals from upcoming meeting of US President Donald Trump and Prime Minister Narendra Modi.

"We need to see the RBI's interventions to control excess volatility in market. The rupee will likely be in the range of 87.40-87.75 before 88 is tested," he said.

Pabari, meanwhile, said the rupee is expected to trade at elevated levels



87.50-88.20 in the near term, with 87.50 as a key support level, balancing global uncertainties with domestic policy shifts.

RBI Governor Sanjay Malhotra had last week stated that intra-day movements of rupee are driven by demand-supply dynamics and one must look at long term stability of the local currency.

"Global uncertainties, even if the tariff trade wars were not to carry out, but just the uncertainty in itself is something which is worrisome. As that has direct impact on growth, investment decisions, and consumption expenditure decisions which get deferred. The appreciation of the dollar and the depreciation of the rupee is actually linked to this uncertainty," he said.

According to experts, on the domestic front, the banking sector faced a severe liquidity crunch, with the deficit hitting a record high of ₹3.3 lakh crore in January. To address this, the RBI took various measures, including Open Market Operations (OMOs) and Variable Rate Reverse Repo (VRRR) auctions, which injected more circulation of rupee into the market. Moreover, the RBI had temporarily paused its active interventions in the forex market to avoid worsen the liquidity deficit, leaving the rupee vulnerable to external pressures.

OTHER WOES

Adding to the rupee's woes, foreign institutional investors (FIIs) have been on a relentless selling spree, pulling out a staggering $7.7 billion since the start of the year. This massive capital outflow, combined with the RBI's decision to cut repo rate to 6.25 per cent and the Cash Reserve Ratio to 4 per cent further increased the supply of rupee flow in the market, intensifying the downward pressure on the currency.

"Globally, the situation has been equally challenging. Escalating trade tensions, fuelled by Trump's imposition of tariffs — including a 25 per cent duty on aluminium and steel — have created widespread economic uncertainty. This has driven up demand for the US dollar as a safe-haven asset. Compounding the issue, inflation expectations have surged, with year-ahead projections jumping to 4.3 per cent in February from 3.3 per cent in January, marking the highest level since November 2023. These factors have collectively added up to the dollar strength, further weighing on the rupee," Pabari said.