

● RBI INTERVENTION CAPS LOSS

Rupee declines to 83.50 as US bond yields rise sharply

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THE RUPEE ENDED weaker on Monday, weighed down by a rise in US bond yields, but likely intervention by the Reserve Bank of India (RBI) helped limit the currency's losses. The rupee closed at 83.5050 against the dollar, compared with the close at 83.3725 in the previous session.

The currency hovered in a tight band of between 83.48 and 83.51 following a gap-down opening. The RBI likely sold dollars near 83.50 levels to limit the rupee's losses, traders said.

Asian currencies declined between 0.1% and 0.7%, with the Indonesian rupiah dropping to a more than four-year low.

Stronger-than-expected US labour market data boosted the dollar and bond yields, resulting in traders paring back expectations of rate cuts by the Federal Reserve in 2024.

The dollar index was up 0.2% at 105.3 and the 10-year US Treasury yield rose to 4.46% in Asia hours, adding to its 14-bps jump on Friday.

Traders expect equity-related flows to be a key driver for the rupee this week alongside US consumer inflation data and the Fed's policy's decision, both due on Wednesday.

While the US central bank is widely expected to keep rates unchanged, investors will focus on Chair Jerome Powell's commentary and any updates to the interest rate dot plot.

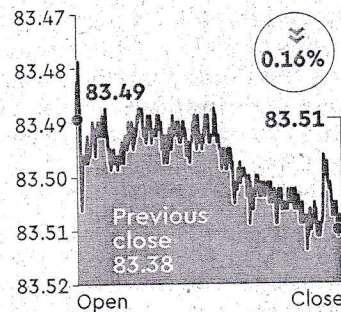
"The rupee is expected to remain volatile but within a range of 82.90 to 83.70," in the near term, Amit Pabari, managing director at FX advisory firm CR Forex, said.

Bond yields end higher tracking US peers

Government bond yields rose on Monday, with the benchmark 10-

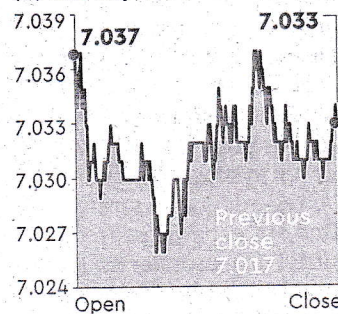
Rupee vs dollar

Intra-day, June 10 (Inverted scale)



10-yr govt bond yield

(%) Intra-day, June 10



year yield closing at 7.0331%, following its previous close at 7.0168%.

Benchmark 10-year US Treasury yields posted their biggest daily jump in two months on Friday after data showed the world's biggest economy created far more jobs than expected in May and annual wage growth re-accelerated. The yield was at 4.4611% in Asia hours.

"The RBI has clearly disassociated their rate actions from the Fed," said Sandeep Yadav, fixed income head at DSP Mutual Fund. "While the RBI does look at domestic compulsions before taking rate decisions, it has to also look at the collateral damage of the currency, just like any other emerging market central bank."

— REUTERS