

Asian peers retreat too in face of dollar's strength Higher crude oil prices, outflows from India weigh on the local unit

# Rupee Hits New Low of 83.56 Ahead of Fed Statement

## Our Bureau

**Mumbai:** The rupee joined other sliding Asian currencies in a collective retreat against the US dollar to hit record lows after the American currency advanced ahead of the Federal Reserve's policy statement on interest rates, with lengthening odds that the world's biggest economy wouldn't reduce the cost of money just yet.

On Tuesday, the rupee ended the day at 83.5650/\$1 on Tuesday, an all-time closing low versus the US dollar. On Monday, the rupee had closed at 83.505/\$1, LSEG data showed.

Recently released data showing a larger-than-expected jobs addition in the US has dashed expectations of the Federal Reserve lowering inter-

est rates, while a sharp weakness in the Chinese yuan versus the US dollar over the past couple of days has dragged Asian currencies lower, dealers said.

Higher crude oil prices and likely foreign investment outflows from Indian markets also hurt the rupee on Tuesday, dealers said.

## US JOBS, FRENCH POLLS

"Stronger than expected US data and political uncertainty after the French President called for snap elections pushed the EUR/USD pair lower, which in turn has pushed the Dollar Index (DXY) higher. Oil demand and rising crude oil prices are further adding to rupee weakness," said Kunal Sodhani, vice-president, Shinhan Bank.



He said that going ahead, the rupee would likely trade in a band of 83.30-83.80/\$1.

On Wednesday, the US Federal Open Market Committee will deta-

il its next policy statement – an event that is being globally awaited to gauge when and if the American central bank will lower interest rates. A rapid increase in US interest rates since 2022 has led to the dollar strengthening globally as investors have flocked to the higher returns in the world's largest economy.

For emerging market currencies like the rupee, signs of a tilt toward lower interest rates by the Fed later in the year could lead to gains versus the dollar, while disappointment on that front would likely lead to depreciation.

Sofar in 2024, the rupee has depreciated 0.4% against the US dollar on a closing basis, weakening less than many of its regional peers.

Apart from strong domestic macroeconomic fundamentals, market interventions by the Reserve Bank of India (RBI) have contributed to the resilience of the local currency, dealers said.

The central bank, which reported record-high foreign exchange reserves of \$651.5 billion last week, likely stepped in through dollar sales on Tuesday to rein in the rupee's volatility.

"The RBI was suspected to have sold dollars at 83.50 and 83.55/\$1. The rupee is expected in the range of 83.45-83.70/\$1 tomorrow with a keen eye on the RBI as to whether it wants the rupee to depreciate any further," said Anil Kumar Bhansali, head of treasury, Finrex Treasury Advisors.