₹ hits fresh low on tariff jitters

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Mumbai, 11 September

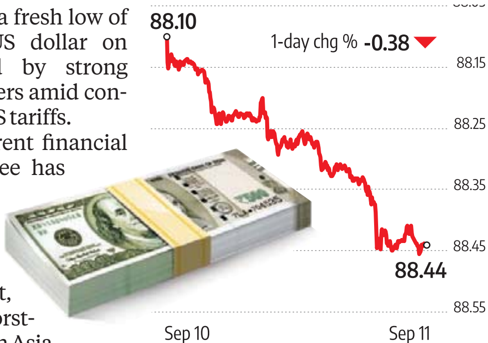
The Indian rupee hit a fresh low of 88.44 against the US dollar on Thursday, pressured by strong demand from importers amid concerns over potential US tariffs.

So far in the current financial year (FY26), the rupee has depreciated 3.36 per cent against the dollar. In calendar year 2025, it has weakened 3.20 per cent, making it the worst-performing currency in Asia. On Wednesday, it had settled at 88.10 per dollar.

"The Indian rupee has underperformed compared with other Asian currencies, hitting a record low due to a supply-demand imbalance for the US dollar. The primary drivers contributing to this decline are strong demand from importers, the rebound of the greenback against major currencies, and concerns over

On fragile ground

Rupee vs dollar (inverted scale)



Source: Bloomberg
Compiled by *BS* Research Bureau

a widening trade deficit, which has been exacerbated by increased US tariffs and renewed trade links with China," said Dilip Parmar, senior research Analyst at HDFC Securities.

Although the rupee recovered slightly after positive signals from US President Donald Trump on an India-US trade deal, it remains fragile amid persistent dollar demand, global uncertainties, and continued foreign portfolio investor (FPI) preference for the greenback, market participants said.

Foreign investors have net sold \$11.7 billion worth of domestic debt and equity so far this year.

Market participants said the Reserve Bank of India (RBI) has been actively intervening in the foreign exchange market through dollar sales to contain excess volatility in the exchange rate.

"The liquidity drain via RBI's forex intervention increased in July and August, with capital flows turning negative with escalation in tariff tensions. Some part of the drain is also due to the forward book, with the RBI allowing near-term swaps to fully mature," said Gaura Sen Gupta, chief economist, IDFC First Bank.

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"USD-INR is expected to remain range-bound reaching 87.25 to 88 by March 2026, with bilateral tariffs on India expected to reduce to 25 per cent by December 2025. However, if tariffs remain at 50 per cent, the pace of depreciation will accelerate as a weaker rupee would be the only tool to counter elevated tariffs," she added.

The RBI's outstanding net short dollar position in the rupee forward market fell to $37 billion at the end of July from $40 billion in June, RBI data showed.

Of the $37 billion, $7.6 billion was in one-month contracts, $10.8 billion in 1-3 month contracts, and $19.2 billion set to mature within three to twelve months.

The central bank also holds $20 billion in short positions maturing beyond one year.