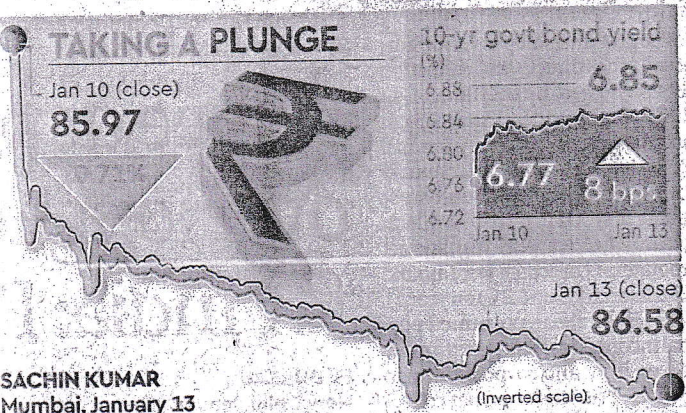


# Rupee sinks 61 paise; sharpest drop in 2 yrs



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Mumbai, January 13

**THE RUPEE TANKED** 61 paise, or 0.71%, against the dollar on Monday—its steepest drop in nearly two years—to close at a fresh low of 86.58, after better-than-expected US jobs data fuelled concerns about fewer interest rate cuts by the Federal Reserve this year. Surging crude oil prices also added to the woes.

Almost all Asian currencies plunged against the greenback as the dollar index hit an over two-year high of 109.98.

The rupee, which touched an intra-day low of 86.60 on Monday, had fallen 90 paise, or 1.10%, on February 6, 2023.

“The rupee is discovering competitive depreciation as the higher dollar yield strengthens the dollar against all peer currencies. Lack of interventions along with the one-sided position due to subdued volatility of the post-Covid era is con-

tributing to the sharp decline. In addition, heightened uncertainty over the Trump administration’s policymaking is also resulting in a flight to safety,” said Nilesh Shah, managing director, Kotak Mutual Fund.

Kunal Sodhani, vice-president-treasury, Shinhan Bank, said: “The strong US employment metrics reduce the need for imminent easing, while fresh developments in growth, inflation and fiscal policy remain key variables. Markets are increasingly pricing in no additional cuts in the near term, reinforcing the dollar strength.”

Sodhani further said that elevated treasury yields, geopolitical risks; and concerns over US President-elect Donald Trump’s tariff policies have continued to bolster the dollar.

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**THE GEOPOLITICAL TENSIONS** in West Asia, fresh US sanctions on Russia, and the ongoing Russia-Ukraine conflict are also contributing to the rise in Brent crude prices, which cannot be ignored, as it will impact the fiscal math for India and have impact on rupee, he added.

The benchmark 10-year bond yield ended higher at 6.85%, its highest since November 22, compared with its previous close of 6.77%, posting its biggest single-session rise since June 4.

“It seems that the RBI is intervening, but they do not seem to be holding on a particular level. There is course and intent to correct some amount of overvaluation that has been built up, and let it align with how other peers are moving,” said Sakshi Gupta, principal economist at HDFC Bank.

Oil prices hit the highest level in more than four months as a fresh wave of US sanctions against Russia’s energy industry threatened to disrupt supplies. Brent crude advanced to above \$81 a barrel, after surging almost 4% in the previous session. Crude has rallied in recent weeks,



with gains spurred by colder weather conditions, falling US stockpiles, and speculation that Trump officials may tighten curbs against flows from Iran in the coming months.

Apart from the surging oil prices, weak portfolio flows are compounding the pressure on the rupee. Foreign investors have taken out over \$2 billion from Indian equities so far this month, having withdrawn nearly \$11 billion in the last quarter.

Although the rupee fell the most against the dollar among the Asian currencies on Monday, it has fared comparatively well in the past three months. While the rupee has fallen 2.9% in the past three

months, the South Korean won has weakened the most (8%), followed by the Japanese yen (5.2%), the Singapore dollar (5%), the Malaysian ringgit (4.9%), the Indonesian rupiah (4.3%), and the Thai baht (4.1%).

The dollar index, which measures the strength of the greenback against the six major currencies, has risen to 109.97, marking its highest level since November 10, 2022.

The US jobs report, which came out on Friday, showed that the headline non-farm payroll (NFP) print came in at 256,000 against the expected 160,000. The unemployment rate came off to 4.1% from 4.2%.