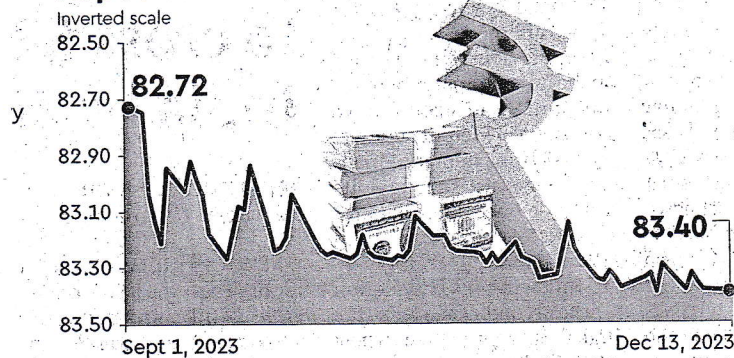


● RBI INTERVENTION LIMITS FALL

Rupee hits new closing low on Fed meet eve

Rupee vs dollar



AGENCIES

Mumbai, December 13

THE RUPEE PLUNGED to its record closing low on Wednesday as an uptick in the dollar index pressured the unit ahead of the US Federal Reserve's monetary policy decision. The rupee ended at 83.41 against the dollar, compared with the close at 83.3875 on Tuesday.

The rupee had earlier recorded its lowest closing level of 83.40 on November 24 this year. Intra-day, the currency hit its lowest at 83.42 on November 10.

The currency was held in a tight range of 83.3850 and 83.4050 through the session as the Reserve Bank of India likely intervened to prevent the rupee from dropping further, five traders said. They said a steep fall in crude oil prices from \$76 per barrel to the below-\$73 level provided support, but a muted trend in the equity markets triggered a negative bias.

The dollar index, which gauges the greenback's strength against a basket of six currencies, was trading 0.09% higher at 103.55 on Wednesday, weighing on other Asian currencies as well. The Philippine peso led losses with a drop of more than 1%.

The government data released on Tuesday showed retail inflation rose to a three-month high of 5.55% in November, though it

remained within the RBI's comfort zone of less than 6%. Industrial production growth accelerated to a 16-month high of 11.7% in October, mainly due to a double-digit growth in manufacturing, power and mining sectors' output, according to the official data.

While the US Fed is widely expected to hold rates steady, investors will pay close attention to the central bank's economic projections and dot plot for cues on how well-placed market expectations are on the future trajectory of policy rates. Investors are currently pricing in that rate cuts could begin as soon as May, according to the CME Group's FedWatch tool.

"Markets hope that slowing inflation might prompt central banks, including the Fed, to tone down their hawkish stances," DBS Bank said in a note.

US consumer inflation data on Tuesday showed that the core consumer price index (CPI) increased, as expected, by 0.3% month-on-month in November.

The rupee is unlikely to have a sharp reaction to the Fed's decision or its projections, said Sajal Gupta, head of forex and commodities at Nuvama Wealth Management's institutional desk. The rupee has been well contained by the Reserve Bank of India which is likely to persist in the near term, Gupta said.