

# Rupee logs biggest single-day gain in over seven months

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AFTER FALLING FOR the past five trading sessions, the rupee on Wednesday recovered 28 paise, or 0.33%, against the dollar, marking its biggest gain in over seven months, helped by a weaker dollar and a lower-than-expected trade deficit number.

Intervention from the Reserve Bank of India (RBI) also helped the currency hold its ground.

The rupee closed at 86.3625, compared with Tuesday's close of 86.6463, making it the best single-day percentage rise since June 3, 2024. The currency touched a high 86.3075 during intraday trade on Wednesday.

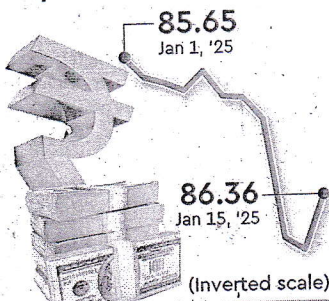
"There are some reports stating that the RBI governor is of the opinion to let demand-supply decide the course for the rupee, which means that we may see further weakness in the currency in coming months," said Kunal Sodhani, vice president-treasury, Shinhan Bank.

According to bankers, the RBI was seen selling dollars at around 86.51 levels. The apex bank intervenes in the forex market to reduce the any sharp volatility in the rupee. Instead of targeting any specific level for the currency, the RBI focuses on lowering sharp fluctuations.

The rupee was helped by the dol-

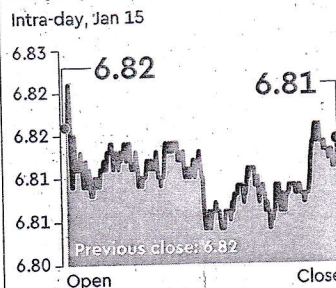
## DOLLAR INDEX RETREATS

Rupee vs dollar



■ The recovery in the rupee came as the dollar index faced profit booking over the last two days, retreating below 108.90 after failing to breach the 110 level

10-yr govt bond yield (%)



■ Traders have fully priced in that the Federal Reserve will hold rates at its meeting later this month and expect just one rate cut this year -- of about 25 bps in July or September

lar index's retreat from a more than two-year peak. The index, which tracks the greenback's value against six of its major peers, eased to 108.90 on Wednesday, from 109.65 in the previous trading session. The US 10-year treasury yield softened to 4.76%.

India's December trade deficit came in lower than estimates at \$21.94 billion, compared with the revised November number of \$32.84 billion. According to a Reuters poll, December trade deficit was expected to be at \$27.33 billion.

"The recovery in the rupee came as the dollar index faced profit booking over the last two days, retreating below 108.90 after failing to breach the 110 level, following a strong rally from 107 in the past two weeks," said Jateen Trivedi, research analyst - commodity and currency, LKP Securities. "The rupee's trading range is expected to lie between 86.20 and 86.80, with participants closely monitoring the global dollar movement and domestic market trends for further cues."

## Bond yields dip for 2nd day on value buying

GOVERNMENT BOND YIELDS drifted lower for a second consecutive session on Wednesday amid value buying from investors as the local currency appreciated, while Treasury yields stabilised ahead of a key US inflation report.

The 10-year bond yield ended at 6.8136%, compared with its previous close of 6.8218%.

The yield had posted its biggest single-session jump in over seven months on Monday and hit a more than two-month-high of 6.8689% on Tuesday.

"We are back to the 6.80% levels for the benchmark bond yield, tracking a recovery in the rupee and as US yields are not rising further," a trader with a primary dealership said. US Treasury yields held ground, with the 10-year yield staying below the 4.80% handle ahead of the US inflation report.

Traders have fully priced in that the Federal Reserve will hold rates at its meeting later this month and expect just one rate cut this year -- of about 25 bps in July or September -- down from expectations of two 25-bps cuts as recently as two weeks ago.

—REUTERS