Re sinks to new low on strong $, weak yuan

Our Bureau
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The rupee closed at an all-time low on Thursday, weighed down by a strong dollar index and a weakening Chinese currency even as the RBI put up a strong defence of the Indian unit.

The rupee closed at 83.1475 to the dollar, down 20 paise from the previous close of 82.95. Market players believe the central bank actively sold dollars in the offshore and onshore markets to cap the rupee fall.

Amit Pabari, MD, CR Forex Advisors, said: "Following a two-day break, the rupee marked its move towards 83.15 levels influenced by increased global risk aversion and geopolitical unrest. The emerging real-estate crises in China, its central bank cutting rate, and the strong sell-off in China's equity market were the triggers. The rising dollar post higher-than-expected US inflation data reignited speculation of a hawkish Fed move and put pressure on the rupee."

Anindya Banerjee, Vice-President, Kotak Securities Ltd, observed that the Indian currency weakened due to rise in US bond yields and the fall in the Chinese currency.

G SEC YIELDS UP

Elsewhere, yields of government securities rose, tracking the rising US Treasury yields and spooked by the possibility that the RBI will consider raising rates in response to high retail inflation readings. Yield of the benchmark 10-year G-Sec (7.26 per cent GS2033) rose about 4 basis points to close at 7.2487 per cent (previous close: 7.2034 per cent), with the price declining 31 paise to close at ₹100.0725 (₹100.38).

The cut-off yields at Thursday's auction of Treasury Bills rose 11-13 basis points, reflecting liquidity stress in the wake of the incremental cash reserve ratio prescription for banks.

Madan Sabnavis, Chief Economist, Bank of Baroda, said: "Surplus liquidity has dried up to just ₹21,000 crore as of August 14. This is reflected in the T-Bill auction cut-offs today."

"This increase of 11-13 basis points (in T-Bill auction cut-off yields) is significant as the 364-day bill has crossed the 7 per cent mark.

The 10-year is ruling at 7.25 per cent (yields) and it does look like that there can be some upward movement as liquidity tightens," he said.