

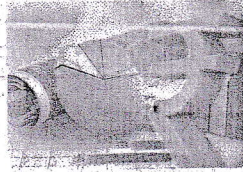
# Rupee likely to trade at 86.5-87.5 per dollar, with limited RBI intervention: BoB Report

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The rupee is expected to trade within the range of 86.5 to 87.5 per US dollar in the near term, with the Reserve Bank of India (RBI) likely to keep its intervention limited, according to a recent report by Bank of Baroda (BoB).

## TIGHT LIQUIDITY

"RBI's intervention is likely to be limited going ahead given the tight domestic liquidity situation. We expect the rupee to trade in the range of 86.5-87.5/\$ in the near-term," the report stated. The rupee witnessed a sharp decline to a record low of 87.58 per dollar on February 6, 2025, amid global economic uncertainties. However, the currency made a steady recovery in the last week as some global concerns eased.



The pressure on the rupee began after the US elections, as policies introduced in the US President's second term, particularly on tariffs and taxes, strengthened the dollar. This led to heightened volatility in global markets, which had a direct impact on emerging market (EM) currencies, including the rupee. Despite the initial turbulence, the report stated that the rupee managed to regain some strength after the US softened its stance on tariffs, providing relief to global markets. Going forward, the report added that the trajectory of the rupee will be largely determined by the movement of the US dollar.

The report warned that any escalation in the global tariff war or a shift in the US Federal Reserve's policy stance could once again put pressure on the rupee. It also noted that apart from global headwinds, continued weakness in domestic equities as well as a sombre economic outlook is also weighing on the rupee.

There are expectations that the RBI is likely to allow the currency to depreciate more freely, given that domestic liquidity conditions have remained tight. RBI also lowered its policy rate after a long gap of five years, and more rate cuts are expected. This comes at a time when the probability of more rate cuts by the Fed have faded. With tight domestic liquidity conditions limiting RBI's scope for intervention, the rupee's movement will be closely watched by market participants, businesses, and policymakers.