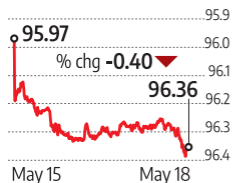


₹ slides to new low of 96.4/\$

Bond yield surge 7 bps to 7.13%

Waning strength

₹ vs \$ (Inverted scale)



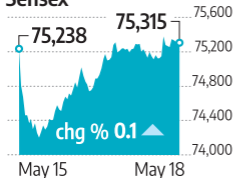
10-yr Gsec bond yield (%)

May 15	7.064	Chg (bps)
May 18	7.131	6.7 ▲

Brent crude spot (\$/bbl)

May 15	107.65	Chg (%)
May 18	106.61	-3.7 ▼

Sensex



Source Bloomberg

■ Sensex plunges over 1K pts but ends in green 18 ▶

ANJALI KUMARI

Mumbai, 18 May

The rupee on Monday slipped to a fresh intra-day low of 96.40 against the dollar before settling at 96.36, the worst closing figure on record.

The previous lowest at the time of closing was 95.97.

At the same time, the yield on the benchmark 10-year government bond surged by 7 basis points to 7.13 per cent, tracking a sharp rise in United States (US) Treasury yields and elevated prices of crude oil amid persistent geopolitical tensions, according to dealers.

“The Reserve Bank of India (RBI) stepped in to contain volatility. Pressure on the rupee is expected to stay and the currency is likely to trade below 96 (on an inverted scale) during the week,” a dealer at a state-owned bank said.

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₹ falls to new low of 96.4/\$

Prashant Pimple, chief investment officer (fixed income), Baroda BNP Paribas Mutual Fund, said: "India depends to a large extent on imported crude oil. Along with that, the recent impact of gold imports has led to a rapidly widening trade deficit, which is the prime reason for such depreciation in the rupee."

A primary dealer said: "All the global yields, even those of US Treasuries, are going up. Crude oil has also jumped above \$110 (a barrel) and continues to trade above that level, so there is fear of a further increase in inflation in the coming months."

Traders said a section of the market had started pricing in the possibility of a rate increase by the RBI's Monetary Policy Committee (MPC) earlier than anticipated although economists largely expect action from the rate-setting panel only from August.

The MPC will meet on June 3-5 to review the policy.

The rates of the overnight indexed swap (OIS) are discounting the possibility of a rate increase in the next policy, market participants said.

Dealers, however, expect the MPC to maintain a cautious stance and highlight risks emerging from the war in West Asia and elevated commodity prices.

In a recent panel discussion organised by the Swiss National Bank (SNB) and the International Monetary Fund (IMF) last week, RBI Governor Sanjay Malhotra said the MPC had the space to absorb the supply shock, assuming it to be tem-



porary, while laying emphasis on keeping a watch on whether and when the shock could become embedded in the general price level. That may warrant policy action.

"A section of the market is expecting a rate increase sooner," said a market participant.

"It is still largely a supply-side issue. Even if rates are raised, unless prices of crude oil cool meaningfully, there may not be immediate relief," he added.

HSBC in a report said that India's deficit in the balance of payments (BoP) could widen to around \$65 billion in FY27 from about \$35 billion in FY26, assuming oil prices averaged \$95 a barrel.

It said India might need additional foreign exchange of roughly \$30 billion through stronger capital inflows or current account savings.

"If the forecast \$65 billion balance of payments deficit materialises in FY27, India could dip below the 10th percentile threshold on reserve adequacy metrics," the report said.

Brent crude was trading above \$110 against the previous day's \$109.26.

However, the price eased to around \$108 after the market hours in India.