Rupee appreciates, Govt-Securities yields harden

Our Bureau
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The rupee got a lift on Monday from rising domestic equity market, which was buoyed by S&P Global Ratings' rating upgrade for India and GST reforms announced by the Prime Minister Narendra Modi.

However, Government Securities (G-Secs) could not hold on to last Thursday's gains due to the rating upgrade, with yields rising due to uncertainty about how the US tariffs on India's exports to that country will play out and the possibility that the government may borrow more than what is budgeted to give fiscal stimulus if growth slows.

The rupee closed at 87.35 per dollar, up 20 paise versus the previous close of 87.55.

Domestic benchmark indices BSE Sensex and NSE Nifty closed up 0.84 per cent (or 676 points) and 1 per cent (or 246 points), respectively.

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GROWTH MOMENTUM

S&P Global upgraded India's sovereign rating from 'BBB-' to 'BBB', with stable outlook. In its rationale for the rating upgrade, S&P Global noted that India is prioritising fiscal consolidation, demonstrating the government's political commitment to deliver sustainable public finances, while maintaining its strong infrastructure drive.

Further, robust economic expansion is having a constructive effect on India's credit metrics, and the global rating agency expects sound economic fundamentals to underpin growth momentum over the next two to three years.

Monetary policy settings have become conducive to managing inflationary expectations.

Amit Pabari, MD, CR Forex Advisors, observed that the rating upgrade by S&P ratings, the first such upgrade in 18 years, is a rare vote of confidence, which is expected to draw investor inflows, potentially strengthening the Rupee's position in global markets. Yield of the 10-year benchmark G-Sec rose 6 basis points to 6.46. Venkatakrishnan Srinivasan, Founder & Managing Partner, Rockfort Fincap LLP, said the 6.4 per cent zone is tough to sustain without steady global and domestic support.

"The S&P upgrade gave an immediate boost, but ongoing bond supply pressures and global uncertainties like tariffs and geopolitics continue to influence yields. This shows the market is pricing in optimism from the upgrade, but also weighing near-term risks," he said.