

SATURDAY, SEPTEMBER 17, 2022

## 12 MARKETS

# Rupee sinks to 5-week low as yuan erodes risk sentiment

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Mumbai, September 16

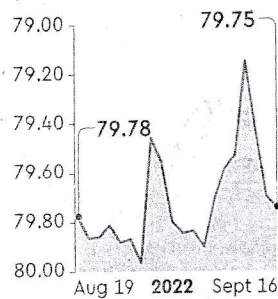
**THE RUPEE MARKED** its worst week in five on Friday, as the risk sentiment was hit by the Chinese yuan weakening past 7 per dollar to breach a key psychological level for the first time in two years. The partially convertible rupee closed down 7 paise to 79.70 per dollar, recouping some of the day's losses when it had hit an over one-week low. For the week, the rupee declined 0.2%, its biggest loss since the week ended August 12.

A foreign exchange trader said market participants were wary that the rupee had not been allowed to weaken past 80 per dollar and saw it as a level to protect. Traders were likely unwinding long dollar positions and creating fresh shorts, he added.

Asia's economic engine China saw its yuan fall to 7.0166 due to a buoyant dollar and a slowing domestic economy, which had a cascading effect on

## Rupee vs dollar

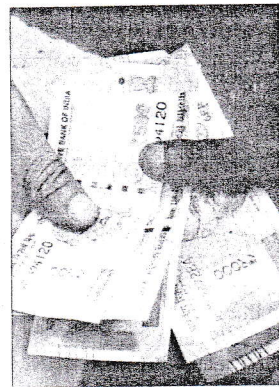
(Inverted scale)



its regional peers due to their close trade relationship. A slew of data from China came in mixed, as industrial output beat forecasts but property investment continued to decline considerably.

Several Asian currencies hit multi-year lows, while stocks sold off. Indian equities plummeted 2%.

Meanwhile, unexpectedly strong US data overnight added to the case that the economy could tolerate higher interest



rates, sparking a sell-off in Treasuries and making the greenback even more attractive to hold.

The dollar index rallied 0.4% to 110.13, not far from its two-decade high of 110.79 reached earlier this month.

Traders now shift their focus to a slew of monetary policy meetings by the Federal Reserve, the Bank of Japan, and the Bank of England next week, with the Fed meeting taking centre stage. —REUTERS

## Bonds see worst week in 3 months

**GOVERNMENT BONDS** saw their worst week in over three months, as traders turn cautious with rate hike fears gripping the market, and lack of any development on the inclusion of local bonds in global indexes. The benchmark Indian 10-year government bond yield ended at 7.2660% on Friday, after closing at 7.2386% on Thursday. The yield rose 10 bps this week, the biggest such move since week ended June 3. The 10-year 7.2-6% 2032 bond yield ended at 7.2310%, after closing at 7.1997% on Thursday. The yield on the paper rose 12 bps this week. —PTI