

Rupee snaps four-day rally; bond yields rise

Our Bureau
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The rupee snapped a four-day winning streak on Thursday, closing about 31 paise weaker, as the dollar strengthened after the US Fed resumed its rate cut cycle with a 25 basis points cut.

The Indian currency (INR) ended the trading session at 88.1275 per US dollar (USD) against the previous close of 87.8150.

In the previous four trading sessions ending September 17, the rupee had appreciated by a cumulative 63 paise, buoyed by expectations that the US Fed will restart its rate cut cycle and positive sentiment around ongoing trade tariff negotiations between India and the US.

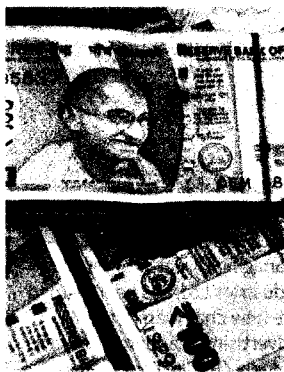
Anindya Banerjee, Head of Currency & Commodity Research, Kotak Securities, observed that since the Fed meeting, the US Dollar Index has largely moved sideways, yet USDINR climbed above 88.

"Trade uncertainty remains a key overhang. Until a trade agreement with the US is finalised, the rupee is likely to stay under pressure from FPI outflows and speculative selling.

"That said, the rupee looks undervalued relative to its emerging market peers. Once a trade deal is signed, we could see some appreciation. In the near term, we expect USDINR to consolidate within a 87.70-88.70 range on spot," said Banerjee.

Dilip Parmar, Senior Research Analyst, HDFC Securities, said the rupee mirrored the weakness in regional currencies in the backdrop of the dollar rebounding sharply after the Fed's 25 basis point rate cut, especially as the dot plot suggests two more cuts are on the table by late 2025.

"Despite a weaker dollar against other major currencies, the rupee's trend remains soft, with its depreci-



ation currently serving as a growth stabiliser rather than a deterrent to rate easing. Near-term, we see spot USDINR supported at 87.65 with resistance at 88.40," said Parmar.

BOND YIELDS RISE

Yield of the 10-year benchmark Government Security (6.33 per cent GS 2035) hardened about 4 basis points to close at 6.51 per cent, against previous close of 6.47 per cent.

This comes in the wake of US Treasury yields rising despite the Fed cutting the federal funds rate by 25 basis points to 4.00-4.25 per cent to support the labour market, said Nuvama Wealth in a report.

The report noted that though the latest system liquidity stands in surplus, it plunged to ₹63,745 crore, the lowest in five months, due to larger-than-expected advance tax payouts.

VRR AUCTION TODAY

Meanwhile, the RBI will be conducting a six-day variable rate repo (VRR) auction aggregating ₹1 lakh crore on Friday as the banking system's liquidity surplus has shrunk to ₹63,745 crore as on September 17.

At the overnight VRR auction conducted on Thursday for infusing ₹25,000 crore into the banking system, the RBI received bids aggregating ₹45,783 crore.

The central bank accepted bids aggregating ₹25,006 crore at a weighted average rate of 5.52 per cent.