

Rupee declines to three-month low as dollar strengthens on Fed holding rates steady

Our Bureau
Mumbai

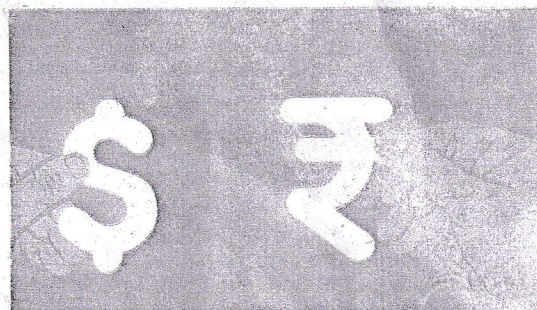
The rupee on Thursday declined to its lowest level in about three months, weighed by a strong dollar index, which rose after the US Fed kept key interest rates unchanged.

Hardening crude oil prices amid the escalating war between Israel and Iran also had a depreciating effect on the rupee.

The rupee, which extended its decline for the third day on the trot, closed at 86.7225 per US dollar, down about 25 paise versus the previous close of 86.4775. Intraday, it touched a three-month low of 86.8925 per dollar.

EXPERTS SAY

Amit Pabari, MD, CR Forex Advisors, observed that the US Federal Reserve did exactly what markets expected—held rates steady. But it left traders with more questions than answers.



HEADWINDS. Hardening crude oil prices amid the escalating war between Israel and Iran also had a depreciating effect on the rupee. GETTY IMAGES/ISTOCKPHOTO

“While the Fed reaffirmed its projection for two rate cuts this year, it dialled back on the pace of future easing. Policymakers flagged persistent inflation risks, many of which stem from President Trump’s tariff policies and a volatile energy landscape rocked by conflict in

the Middle East. This cautious tone added a layer of fog to an already uncertain backdrop,” he said. Pabari opined that the steady stance from the Bank of England may limit Pound upside, indirectly supporting dollar strength—which could, in turn, weigh on the rupee.

“With Israel continuing strikes and Iran threatening

retaliation if the US steps in, the Strait of Hormuz stays on high alert. For the rupee, this means a twin threat: higher oil import costs and rising global risk aversion, both of which dent sentiment and widen India’s current account stress,” he said.

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DOWNWARD TREND

Dilip Parmar – Senior Research Analyst, HDFC Securities, observed that the rupee declined due to persistent geopolitical uncertainty and a hawkish stance from the US Federal Reserve.

“This downward trend is further exacerbated by a strengthening US Dollar Index and surging crude oil prices, which are weighing heavily on the local currency this week.

“The rupee’s depreciation may continue in the near term, with the dollar-rupee pair potentially heading towards the 87 to 87.50 range,” he said.