

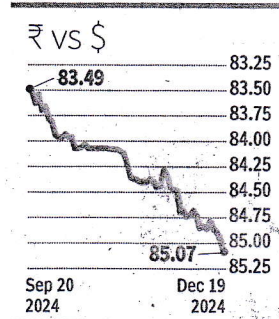
# Rupee hits all-time low, slips past 85/dollar

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The rupee on Thursday slipped past 85 per US dollar level, hitting a new all-time low, primarily led by a hawkish outlook from the US Fed, higher outflows from domestic equity markets and other global uncertainties, senior bankers say.

"The dialback in US Fed rate cut expectations for 2025 has added to US dollar strength and consequently put depreciation pressure on emerging market currencies like the rupee. The interest rate differential between the US and India is likely to be narrower than earlier anticipated, souring the outlook for the rupee for 2025," said Sakshi Gupta, Principal Economist, HDFC Bank.

Amit Pabari, MD at CR Forex, said the US Fed's reduced rate cut expectations for 2025 strengthened the dollar, pushing the US Dollar Index to 108.27 and US 10-year yields to 4.52 per cent,



triggering capital outflows from emerging markets.

## GDP GROWTH

Domestically, India's Q2 GDP growth slowed to 5.4 per cent while inflation rose to 6.21 per cent and the trade deficit reached \$37.8 billion, he said. The RBI's stability-focused stance stirred mixed reactions, while limited liquidity hindered intervention efforts.

Madan Sabnavis, chief economist at Bank of Baroda, said higher trade deficit and volatile FPI flows on fundamental side has pushed the Indian currency down. The

stronger US dollar and possible Trump policy package is weighing on currency, he said.

Kunal Sodhani, Vice-President, Global Trading Center, Shinhan Bank, said various factors, including outflows from domestic equity markets, overall strength of US dollar on the back of hawkish outlook from US Fed and uncertainties prevailing because of Donald Trump, arbitrage opportunities in interims between onshore and offshore rupee market, and weakening of Asian currencies—particularly Chinese yuan—are all putting pressure on the rupee.

"India's FX reserves have been depleting on the back of revaluation of FCA's and intervention highlights that there seems to be no more force towards sharp appreciation, even if the rupee appreciates to some extent, the RBI may look forward to build in FX reserves considering too many uncertainties prevailing for the year 2025,"

Sodhani said.

## OUTLOOK

According to Pabari, with equity markets panicking and global pressures mounting, the rupee may face further weakness. In the short term, dollar/rupee could move toward 85.20 level, with Trump's upcoming tariff policies set to shape future market dynamics.

Sodhani from Shinhan Bank believes that, positionally 84.60 level now acts as a strong base for rupee, while door remains open for 85.50 levels. Gupta, meanwhile, said the rupee is likely to depreciate towards 86.5 levels by the end of 2025 as the US dollar remains strong and foreign flows are volatile on account of policy uncertainty in the US.

Per Soumyajit Niyogi, Director at India Ratings & Research, for India, while the current account deficit is expected to be around 1.1 per cent of the GDP, the Indian Rupee is expected to weaken by 3 per cent to 86.9 in FY26.