

Analysts see rupee again breaching 80-level vs dollar

Bonds on govt yield ended higher for a third consecutive session as RBI flagged worries over inflation

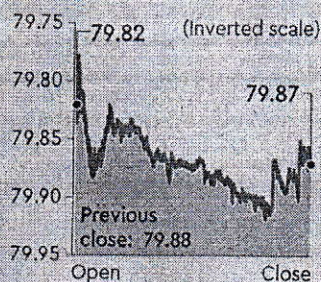
ANUSHKA TRIVEDI & DHARAMRAJ LALIT DHUTIA
Mumbai, August 22

THE RUPEE HIT a four-week during intra-day trading on Monday as the dollar continued its rally on the US Federal Reserve's hawkish stance, while the Chinese yuan's weakness exacerbated losses in the local currency. Bonds on government yield ended higher for a third consecutive session as the Reserve Bank of India flagged worries over inflation.

The partially convertible rupee fell 0.1% to close at 79.875, having dropped to its

Rupee vs dollar

Intra-day, August 22



10-year bond yield

Intra-day (%), August 22



The dollar index extended its gains to firm up at 108.4 as Fed officials reiterated an aggressive monetary tightening

Meanwhile, the yuan slumped to a near two-year low after China cut its benchmark lending rate to arrest a slowdown in the world's second biggest economy, souring sentiment across Asian emerging markets.

A volatile equities market dragged on the rupee, as investors locked-in gains after a recent rally.

Meanwhile, the benchmark 10-year government bond yield ended at 7.2702%. The yield rose 8 basis points in previous two sessions and ended at 7.2639% on Friday. The new 10-year 7.26% 2032 bond yield was at 7.2585%.

—REUTERS

lowest level since July 27 at 79.9125. After jumping 2.3% in the previous week, the dollar index extended its gains to firm up at 108.4 as Fed officials reiterated an aggressive monetary tightening stance ahead of the Jackson Hole symposium on Thursday.

"The dollar index's strength, weakness in the Chinese yuan and local equities is pressuring the rupee," said a trader at a private bank. There

is a chance the greenback will strengthen further and if it touches 110-level by the Fed's symposium, the Reserve Bank of India may let the currency breach 80 gradually, the trader added.

The RBI has been proactive in defending the key level after the rupee hit a record low of 80.065 on July 19. Several analysts now saw a chance the rupee could revisit the level this week.