

₹ rises 25p to close at 3-week high

Yield on the benchmark 10-year US Treasury note fell by over 6 basis points to 4.23 % on Wednesday

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The rupee hit a three-week high on Wednesday, rising 25 paise to settle at 82.69 against the US dollar. Dealers said the increase was on the back of inflows in domestic equity coupled with the fall in US Treasury yields. The Indian unit settled at 82.94 a dollar on Tuesday.

Commercial banks wound up their positions in the non-deliverable forward (NDF) market, and refrained from taking fresh positions followed by the speculated direction from the Reserve Bank of India (RBI), which further aided the Indian unit.

“Inflow was the main reason for appreciation. I think the RBI even asked the bank to not take position in arbitrage in the NDF. So it is one of the reasons because the banks have, I think, started liquidating their position,” a dealer at a state-owned

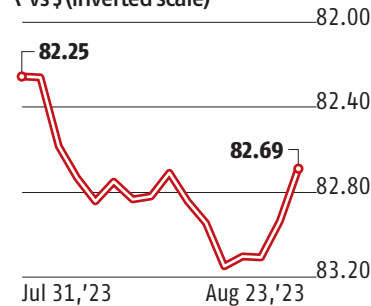


bank said.

“82.50 against the dollar is the most crucial level to look for. If 82.50 breaks, then I guess the rupee will further go to level 82.20 per dollar. However, if that support is still there, then at any point in time, the rupee may again shoot up

CATCHING UP

₹ vs \$ (inverted scale)



Source: Bloomberg

towards 83 per dollar also,” he added.

The yield on the benchmark 10-year US Treasury note fell by more than 6 basis points to 4.23 per cent on Wednesday as investors eyed the US Federal Reserve’s Jackson Hole symposium.

“The broad sentiment was that they (US Federal Reserve) will show a softer stance at Jackson Hole, but if the commentary is hawkish, then the rupee will again depreciate beyond the 83 a dollar level,” a dealer at a state-owned bank said.

Higher yields on US Treasury bonds can attract global investors seeking better returns on their investments.

When the US yields rise, investors might shift their funds from other currencies, including the Indian rupee, to invest in US bonds. This increased demand for US dollars can put downward pressure on the value of the Indian Rupee.

The local currency had hit the all-time low closing level of 83.15 per US dollar on Thursday on the back of rise in US Treasury yields.

The benchmark 10-year US Treasury bond was trading at a 15-month high of 4.31 per cent.