₹ breaches 89.5/$-mark intraday, hits fresh low

RBI's absence in the market may be behind the sharp fall

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A combination of factors, including delay in securing a trade deal with the United States coupled with sanctions on some Indian firms over Iranian oil purchase along with a fading chance for rate cut by the US Federal Reserve, resulted in a sharp weakening of the rupee. The currency breached the 89.5/$ mark during the last trading hour on Friday, with the absence of the central bank in defending the currency resulting in 'short squeeze', accentuating the fall.

Intraday, the rupee hit a low of 89.54 per dollar, before closing at a new low of 89.49— weakening 0.9 per cent during the day — its second worst fall in 2025.

Bond prices also slumped after the rupee's fall, with the yield on the 10-year benchmark government paper closing 4 bps higher than the previous close.

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Sharpest declines ₹ vs $ in 2025

2025	₹vs $ (spot)	Chg 1-day (%)
May 8	85.72	-1.035
Nov 21	89.49	-0.877
Apr 7	85.84	-0.703
Jan 13	86.58	-0.703
Jul 30	87.43	-0.696

Source: Bloomberg
Compiled by BS Research Bureau

Major Asian currencies against $

	Change %		
	YTD	MTD	1-Day
Indian Rupee	-4.33	-0.80	-0.88
South Korean Won	0.33	-3.00	-0.09
Singapore Dollar	4.40	-0.54	0.00
Vietnam Dong	-3.33	-0.18	0.06
Chinese Renminbi	2.70	0.17	0.12
Indonesian Rupiah	-3.49	-0.51	0.12
Japanese Yen	0.51	-1.54	0.68

Source: Bloomberg
Compiled by BS Research Bureau

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Dealers said the central bank decided to stay on the side lines after it breached 88.80 a dollar mark, which triggered stop losses and the currency slipped to the day's low. "The 88.80 per dollar mark had become a line in the sand and most market participants would have had that as a stop loss in mind," said Abhishek Goenka, founder & chief executive officer, IFA Global.

The rupee was the worst-performing currency among its Asian peers on Friday. "Expectations of a rate cut by the Fed in December have got trimmed due to lack of availability of data on account of disruptions due to US government shutdown. Most Fed members, who have spoken lately, have been hawkish.

The dollar index rose by 0.5 per cent to 100.17. Market participants said that a sudden short squeeze near the 88.80 per dollar mark after the Reserve Bank of India pulled out support, led to the sharp decline in the domestic currency during the last trading hour. A short squeeze means panic dollar buying by traders caught on the wrong side of the market, which accelerates the rupee's decline.

Delay in the trade deal with the US also weighed on the Indian unit. On November 20, RBI governor Sanjay Malhotra said he is confident that there will be a "good trade deal" with the US, which will relieve the pressure on the current account and in turn the rupee.

Government bond yields rose by 4 basis points following the sharp decline in rupee. The yield on the benchmark 10-year government bond settled at 6.57 per cent, against the previous close of 6.53 per cent.