

● DOLLAR INDEX WEAKENS, PBOC FIXES YUAN RATE LOWER

Biggest single-day jump for rupee in five months

ANUPREKSHA JAIN
Mumbai, November 25

THE RUPEE RECORDED its biggest single-day jump since June 3 on Monday due to foreign inflows after rebalancing of MSCI global indices, slight weakening of the dollar index and softening of US yields, said market participants. Additionally, lower fixing of the yuan by the People's Bank of China (PBOC) compared with its previous close supported the Indian rupee and other emerging market currencies.

The rupee closed at 84.286 a dollar against 84.455 a dollar – up 17 paise. The rebalancing of MSCI's global equity indices will be effective after markets close on Monday.

Globally, US yields and the dollar index were a tad down after Donald Trump nominates Scott Bessent for the post of Treasury secretary. Bessent is expected to keep a steady hand on government finances, hence seen as a favourable choice for the markets.

The dollar index was at 106.8, down 0.5% from its closing level on Friday. US yields were lower with the 10-year yield down 7 basis points at 4.34%.

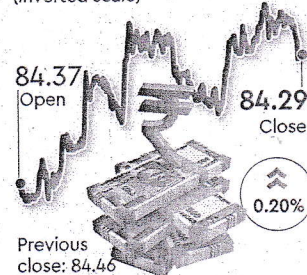
Earlier in the day, PBOC fixed the rate of the yuan at 7.192%, against 7.194% on Friday. This led to some inflows in the market, giving positive push to the rupee. "Yuan was moving up and suddenly the fixing came lower, giving a hint to the market that it may fix it further lower gradually. That's why mostly all EMs have performed well on Monday," a dealer with a private bank said.

For a week, the market is likely to gauge the movement in the Chinese currency. Investors now await the minutes of the Federal Reserve's November meeting and core US PCE inflation figures, both due on Wednesday.

Rupee vs dollar

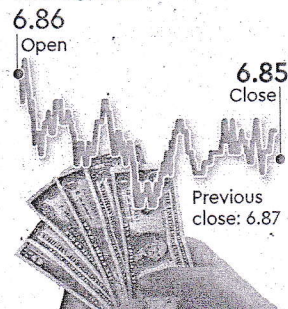
Intra-day, (%) Nov 25

(Inverted scale)



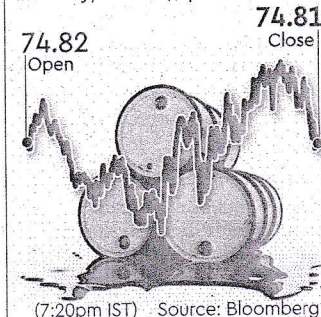
10-year govt bond yield

Intra-day, (%) Nov 25



Brent crude prices

Intra-day, Nov 25 (\$ per barrel)



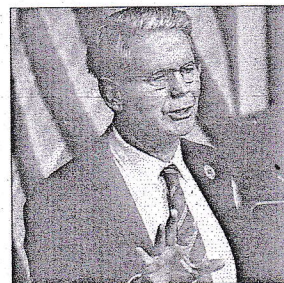
Yields soften mirroring Treasury

SIDDHI NAYAK
Mumbai, November 25

GOVERNMENT BOND YIELDS declined on Monday, mirroring US Treasury yields, prompted by US President-elect Donald Trump's selection for Treasury secretary, who is expected to rein in the country's debt.

The benchmark 10-year bond yield ended at 6.8226%, down two basis points from Friday.

The 10-year US yield declined 6 bps on Monday after Trump on Friday said he will nominate prominent investor Scott Bessent as Treasury secretary, a key Cabinet position with vast influence over economic, regulatory and



Trump's Treasury pick Scott Bessent has calmed US bond market nerves

international affairs.

Bessant, who is a fund manager, is seen a fiscal conservative and will likely to want to keep a

leash on US deficits.

The 10-year US yield is now down 15 bps off its recent peak.

"Monday's rally seems temporary as there is little scope for the 10-year yield to fall below 6.75% as domestic interest rate cuts are expected to be delayed," said Yogesh Kalinge, associate director at AK Capital Services.

Investors have had to reconsider their rate cut expectations in India amid higher domestic inflation. India's inflation accelerated to 6.21% in October, above the Reserve Bank of India's target range of 2%-6% for the first time in 14 months, dashing hopes of a rate reduction in December.

—REUTERS

Moreover, traders unwound their long bets on dollars as the Reserve Bank of India (RBI) instructed banks not to take any speculative bets on dollar-rupee pair. "Traders are not placing any aggressive long bets. During the day, foreign banks sold dollar, later

they were joined by domestic players as well; giving support to the rupee," a dealer with a state-owned bank said.

The RBI instructed some banks to cut their long positions on the dollar-rupee pair on Friday as the domestic currency was then trading

at a record low. The rupee weakened to a record low of 84.507/\$, pressured by portfolio outflows and a stronger greenback. While the RBI previously stopped banks from adding long positions on the pair, it did not ask them to cut positions in past years.