

# Rupee expected to hold broadly steady against dollar: ICICI Securities report

**Our Bureau**  
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As the US dollar slips against other currencies (euro, Japanese yen, Chinese yuan, pound sterling), the rupee is expected to hold broadly steady against the dollar, thereby depreciating against the currencies that had hitherto been weak in calendar year 2022, ICICI Securities said in a report.

## **NARROW RANGE**

"A stable or mildly-weaker dollar buoys emerging economies, but India is likely to take the opportunity to regain some competitiveness relative to the EU, Japan and Korea (whose currencies have depreciated sharply against the rupee in Mar-October 22)," said Prasenjit K Basu, Chief Economist, I-Sec.



**IN NARROW RANGE.** The dollar has peaked and will trend lower over next half year

The rupee has depreciated about a tenth against dollar this year; we expect it to be steady in a narrow range against dollar, thereby depreciating against euro, pound sterling, Japanese yen, South Korean won (and hopefully CNY), the rupee slipped to an 'all-time low' of INR 83.2/USD on 20th October 2022, although this still implied barely more than 10 per cent year-on-year (YoY) depreciation, per the report.

## The currency unit has been depreciating against other currencies

From that brief low, the rupee has regained some ground, but remains (at 81.82/dollar on November 23, 2022) about a tenth below its level vs the dollar at the start of CY22.

I-Sec's economic research team believes that the dollar has peaked (in trade-weighted terms), and will trend lower over the next half year.

The report noted that the dollar's trade-weighted index (NEER, commonly called the DXY, with 1973 as base year) ended CY21 at 96.2, but had soared to 111.9 at the end of Octpber 2022.

At its end-October 2022 level, DXY (Dollar Index) was up 19.1 per cent YoY,

led by 30 per cent YoY appreciation against Japanese Yen, 20.7 per cent YoY against South Korean Won, 17.3 per cent against British pounds, 15.1 per cent against euro, 12.1 per cent YoY against Chinese yuan and a relatively modest 9.8 per cent YoY against the rupee.

## **INTEREST RATES**

"Given that inflation is substantially higher than the central bank target (of 2 per cent YoY for headline CPI) in the Eurozone and in the UK, interest rates are likely to rise faster and further in those two jurisdictions than in the US (where an orderly rise toward 5 per cent by March 2023 for the Fed funds rate, from 3.75-4 per cent currently, has been telegraphed reasonably clearly, and hence is factored into market expectations)," Basu said.