

₹ races past Asian peers so far in Jan

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After an extremely stable 2023, the Indian rupee started 2024 on a promising note and has turned out to be the best-performing Asian currency so far in January, appreciating 0.1 per cent despite 2 per cent rise in the dollar index.

All other key Asian currencies depreciated by around 1.4-4 per cent. The local currency regained its ground against the greenback on the back of foreign portfolio inflows, said market participants.

“The markets are front-running the anticipated flows through the bond inclusion. That’s possibly why the rupee has remained stable,” said Indranil Pan, chief economist at YES Bank. The rupee settled at 83.11 per dollar on Friday.

The domestic debt market witnessed a net inflow of ₹15,793 crore in January.

In December, the dollar index experienced a notable decline of over 2 per cent, pri-

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Key Asian currencies against US \$ % chg YTD

Indian rupee	0.11
Bangaldeshi taka	0.07
Hong Kong dollar	-0.04
Chinese renminbi	-1.08
Vietnamese dong	-1.37
Singaporean dollar	-1.55
Philippine peso	-1.67
Taiwanese dollar	-2.29
Indonesian rupiah	-2.69
Malaysian ringgit	-2.88
South Korean won	-3.38
Thai baht	-3.93
Japanese yen	-4.80

Source: Bloomberg
Compiled by BS Research Bureau

marily fuelled by expectations that the US Federal Reserve could start rate cuts in March. However, the landscape shifted as recent data underscored the robustness of the US economy, prompting a revision of expectations and the deferral of anticipated rate cuts.

According to CME Group’s

FedWatch tool, the sentiment among traders has evolved, with 42 per cent now anticipating a 25-basis-point rate cut by the US Federal Reserve in March. Notably, at the close of December, 75 per cent of traders were expecting a rate cut in March.



“The Reserve Bank is capping any depreciation... Other Asian currencies are locked up with what is happening with the dollar. Whereas in Indian rupee, it’s the opposite of what is happening,” said Vikas Goel, MD and CEO at PNB Gilts. “The Reserve Bank has already capped it, and then there is a lot of capital flows in, particularly in the debt segment. So, the upside is limited. Then obviously, it will probe a little bit on the downside. Having said that, the Reserve Bank is also very active below the level ₹83 per dollar. That is why it is in a very narrow range,” Goel added.