

SHARE PRICE IN FIELDS MAY BE CHECKED BY TALKS OF INDIA'S INCLUSION IN GLOBAL BOND INDICES

Rupee, Bonds Set for a Bumpy Ride

Headwinds Ahead

Rupee may open at about 80/\$: Dealers

All eyes on intensity of RBI intervention

USDINR range this week seen at 79.80-80.50

Benchmark bond yield may erase Friday's 8 bps gains over index inclusion talks

TRADING RANGE SEEN AT: 7.20-7.50% THIS WEEK

Key factors driving yields: Fed statement, India Index inclusion talks, oil prices



Rupee may extend losses, plunging past its record low, unless RBI intervenes strongly

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Mumbai: The rupee and government bonds are set for a rollercoaster ride after US Federal Reserve chair Jerome Powell on Friday pledged to fight against record high inflation with sharper rate hikes.

The rupee is expected to extend losses, plunging past its record low touched last month, unless the Reserve Bank of India (RBI)

doubles down on its efforts to defend the Indian currency against the US dollar through market intervention.

Benchmark bond yields may surge, but the losses are likely to be capped by talks over India's inclusion in the global bond indices that is suddenly gaining ground after Russia's exclusion, experts said. If Indian bonds get listed on global indices, it is estimated that it may generate \$30-40 billion foreign fund flows into local bonds. When bond yields rise, prices fall.

The rupee hit a lifetime low of 80.06 per dollar on July 19. It was little changed at 79.87 per US dollar on Friday during local market hours that ended well before Powell's speech late evening.

"The Jackson Hole statement clearly points to consistent rate

hikes, which will likely deepen risk-off sentiment across the board," said Bhaskar Panda, executive vice president at HDFC Bank. "This may push the Dollar Index higher, consequently putting pressure on USD-INR."

The Dollar Index, which measures the unit against other major currencies, rose more than 1% on Friday after Powell's speech at Jackson Hole valley, Wyoming.

The hawkish statement may halt reversing overseas flows, which have of late turned positive in August at \$6.92 billion, highest since December 2020.

The rupee is expected to open at around 80 against the dollar on Monday. All eyes are on the RBI to see how the central bank aims to defend the rupee via market intervention.