

# ₹ at 4-month low on \$ demand

## Has fallen 1.4% in July so far; 3-day VRRR gets good response

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The rupee weakened to an over fourth-month low on Tuesday, weighed down by strong dollar demand from importers ahead of month-end payment obligations.

Dollar purchases by state-owned banks further put pressure on the local currency, said dealers. Uncertainty over the outcome of US-India trade negotiations ahead of the August 1 deadline also dampened the sentiment.

The rupee settled at 86.82 per dollar, lowest since March 13, when the domestic currency had breached the 87-per-dollar mark. On Monday, the rupee had settled at 86.67 per dollar.

“There was importer demand for dollars. Some public-sector banks were also buying,” said a dealer at a private lender. “The sentiment has been down for the past two weeks now because of uncertainty around trade deals with the US,” he added.

The rupee has depreciated by 1.37 per cent against the greenback this month so far and 3.74 per cent in 2025.

“Foreign portfolio outflows put

### Under pressure

₹ vs \$ spot (inverted scale)



Source: Bloomberg  
Compiled by BS Research Bureau

pressure on the rupee. There is resistance seen at 86.90 per dollar, with the RBI containing the excess volatility,” said the treasury head at a private bank.

Meanwhile, the Reserve Bank of India (RBI) received bids worth ₹46,058 crore against a notified amount of ₹50,000 crore at the three-day Variable Rate Reverse Repo (VRRR) auction. The central bank accepted the bid amount at a cut-off rate of 5.49 per cent.

“The amount of bids was on the expected lines,” said a dealer at a state-owned bank. “The amount was

lower as compared to previous auctions; hence it was almost absorbed,” he added.

In the money markets, the weighted average overnight call rate — the operating target of monetary policy — rose to 5.38 per cent from the previous day's 5.35 per cent. The overnight triparty repo (TREPS) rate settled at 5.30 per cent, against 5.26 per cent on Monday.

The net liquidity in the banking system was in a surplus of ₹2.23 trillion on Monday, latest RBI data showed.

“The aim is to keep rates between the standing deposit facility (SDF) and the repo rate. The overnight TREPS rate was again trading near the SDF. To avoid further decline, the RBI came up with the small VRRR auction, like they did with the VRR when the rates moved beyond the MSF,” said a dealer at a primary dealership.

The RBI had conducted two VRR auctions in the past week after the overnight money market rates rose beyond the repo rate. These auctions led to a decline in overnight money market rates, which had been trading above the marginal standing facility (MSF) rate of 5.75 per cent.