



Rupee Sinks To Record Closing Low

The rupee fell to its lowest-ever close as it weakened further against the dollar to end at 68.95.

- The Indian rupee's previous closing low was the 68.83 a dollar level, on August 28, 2013.
- The Indian currency has depreciated about 8% against the dollar making it the worst performing currency in Asia.

Reasons

- The rupee has come under intense pressure due to a surge in international oil prices which has increased demand for the U.S. currency among the country's refiners, who import a bulk of their crude requirement from overseas.
- Fears that surging international crude oil prices could fan inflation and widen the current account deficit have also pulled down the rupee.
- The U.S. Federal Reserve's hawkish stance (a tight monetary policy with higher interest rates) is also prompting capital outflow by foreign investors from emerging markets like India.
- The government's recent decision to increase minimum support prices for farmers may prompt the RBI to raise interest rates more steeply than expected -which could also add to inflationary pressures.
- The tariff war imposed by the US on Chinese goods has forced the Chinese currency to depreciate. As a result, emerging markets are letting their currencies depreciate to protect export competitiveness, including rupee - as also suggested by advisers to government.

RBI Intervention

- The rupee's slide past the 69 mark prompted state-run banks to sell dollars on behalf of the central bank.
- The RBI has been intervening in the foreign exchange market to curb volatility.

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