



RBI on Thursday fixed a reference rate for the rupee at 67.0181 against the US dollar. (Image: Reuters)

The [Indian rupee](#) has plunged as much as 62 paise to a fresh one-month low against the US dollar in just two days following the sudden uptick in the crude oil prices on concerns of Venezuelan supply shortage. Today only, the rupee extended yesterday's losses and shed about 42 paise vs US dollar in the morning deals. The rupee to US dollar exchange rate surged to a new one-month low of 67.54 on Friday. According to experts, weakness in the domestic share market weighed on the rupee. In the morning trades, the domestic currency (rupee) opened 32 paise lower at 67.45 apiece US dollar at the Interbank Foreign Exchange market on Friday.

The Reserve Bank of India ([RBI](#)) on Thursday fixed a reference rate for the rupee at 67.0181 against the US dollar and 90.0455, 79.1015 and 60.9100 against GB pound, euro and Japanese yen. Earlier yesterday, the rupee slumped 20 paise to settle at 67.12 against the USD. Meanwhile, US dollar on Friday hovered near a three-week low against its most of the peers. According to a Reuters report, the US dollar index versus a basket of six major currencies was little changed at 93.467 after declining 0.3% overnight, when it posted its fourth session of losses. The US dollar index has fallen 0.75% this week, the report added.

Earlier this week on 6 June 2018, the rupee strengthened against the US dollar after the

Reserve Bank of India hiked the key interest (repo) rates for the first time in last four-and-half-years. The recent rise in the benchmark repo rates by RBI was the first hike under [Narendra Modi](#)'s 4-year term so far. RBI on Wednesday raised the repo rates by 25 basis points to 6.25% following which the rupee concluded 23 paise higher at 66.92 against the US dollar.

We take a look at 2 reasons for the depreciation in rupee value against US dollar:

FPI sell-off

Sell-off by the FPIs (Foreign Portfolio Investors) have mostly resulted in a downturn effect on Indian share market and Indian currency market. Over the course of last three days, FPIs have sold off about Rs 764 crore worth of equities in the domestic share market. This comes in a continuation of FPIs selling more than \$1 billion worth of debt and equities in the month of May.

Crude oil boiling again

Crude oil prices seemed to have gathered the pace again after a lull of more than a week. In just a day, Brent crude oil price has moved up by almost \$2 a barrel while WTI crude shot up by nearly \$1.5 per barrel on the back of output cuts by OPEC (The Organisation of the Petroleum Exporting Countries) and Venezuelan supply shortages. Crude oil prices pushed up due to supply trouble in Venezuela, where state-owned oil firm PDVSA is struggling to clear a backlog of around 24 million barrels of crude waiting to be shipped to customers, Reuters said in a report. As per the data available on Friday, Brent crude oil marked a high of \$77.61 per barrel, up by 2.99% or \$2.25 from \$75.36 as on Wednesday's close whereas WTI (West Texas Intermediate) crude rose \$1.46 or 2.26% to a day's high of \$66.19 per barrel from \$64.73 as on Wednesday.

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