

Why currencies of all over the world fading against US Dollar?

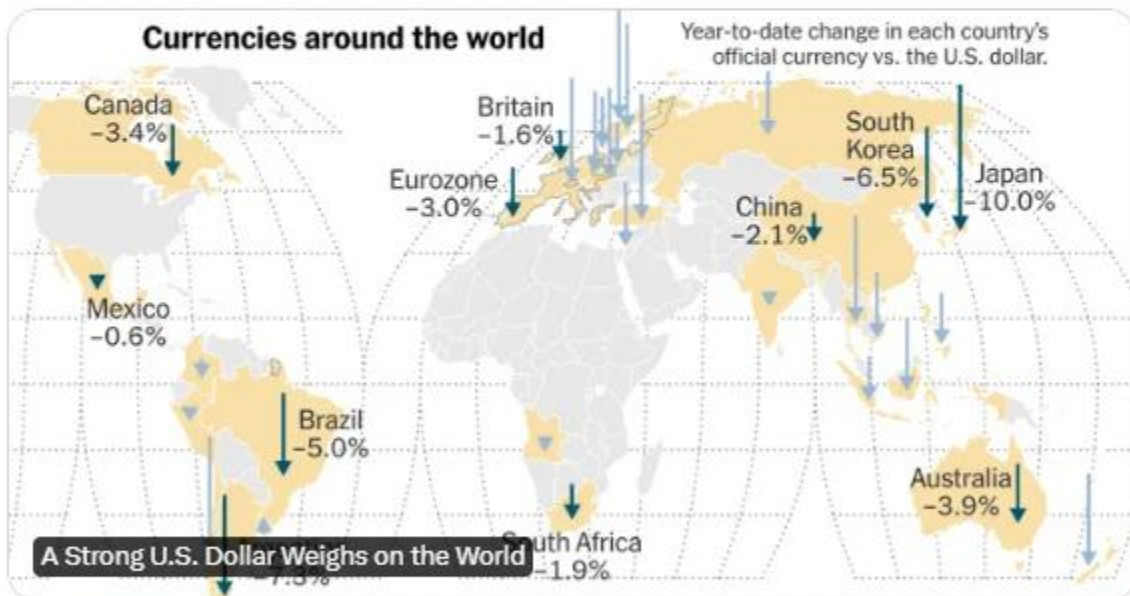
Major currencies all over the world (including Indian rupee) has depreciated against US dollar.



The New York Times   
@nytimes



Every major currency in the world has fallen against the U.S. dollar this year, an unusually broad shift with the potential for serious consequences across the global economy.



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typically high US interest rates are not good sign for other countries. Currently US rate of 5.5% is the highest in the past two decades.

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High interest rates in US means, offering better risk - adjusted US govt bond yield than other countries. Investors all over the countries rationally buying US dollar and selling their country currencies to generate higher returns. Rising demand for dollar has strengthen US dollar against other countries' currencies.

Remarkably, rate cut in US is eagerly watched by all over the countries.

**Strengthening of US dollar against Indian rupee had hit hard to record low 83.67 as on 16 April 2024. In spite of this Indian currency has better perform compare to other country currencies.**

**Fed reluctant to rate cut in spite to rising inflation, which strengthening dollar**

**Consumer Price Index in US, which came in March, 24 at 3.5% higher than expect, which caused falling currencies all over the world. High inflation in US delaying interest rate cut.**

So on May 2, the US Fed [left](#) the benchmark interest rates unchanged at 5.5% for the sixth straight meeting.

**Investors are enticed back to US due to higher interest rate, which strenghtns dollar. Due to higher rates, global currencies have fallen against the US dollar.**

**Indian currency most strong currency among to global currencies.**

**June 23, JP Morgan announced India's inclusion in its Emerging Market global bond Index. This has redefined India's financial landscape. Soon After Bloomberg announced India's inclusion into its EM Local Currency Government indices. Strong growth outlook and favorable current account deficit has supported the appreciation to the Indian rupee.**

**The main reason is RBI intervention in forex market where RBI sell the dollar to make the rupee stable. RBI sell the US dollar from reserve and buy the rupee. By this intervention RBI halt the fall of rupee by increasing supply of USD and reduce supply of INR, it increases the value of INR against the US dollar.**

**Inclusion of Indian government bond into JP Morgan EM global bond index and announced from Bloomberg Index Services that it will add Indian government bonds to its Emerging Market Local Currency Government Index from Jan 2025.**

**Expected to bring in foreign inflows worth over \$25 billion to India by next year. This will make rupee strong against the USD.**