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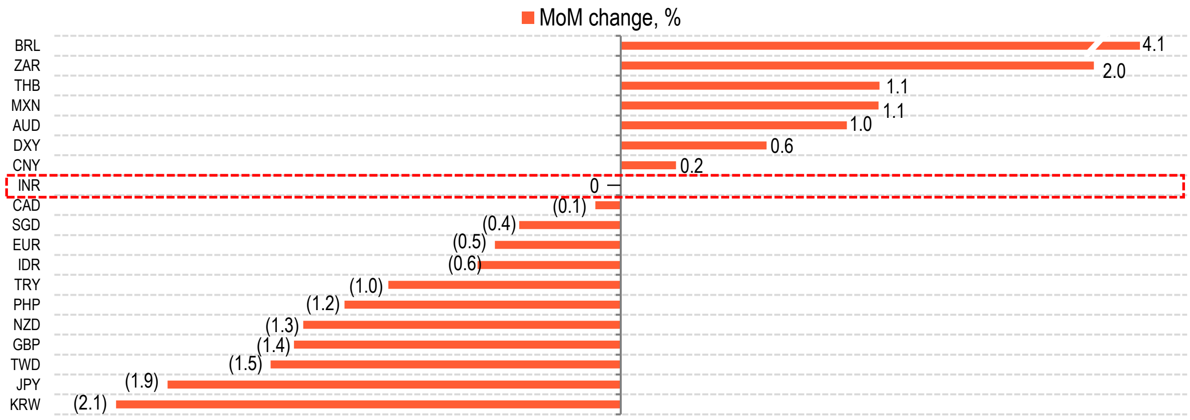
Currency update

INR remained steady in the last month, even though it continued to trade near a record low. This comes against the backdrop of a stronger dollar, sluggish inflows and strong demand from importers. Reports indicate that RBI's intervention in the forex market was prevalent to prevent the domestic currency from sliding to a record low. This marks a significant shift in RBI's forex policy over the last few months which advocated for a freer movement in the currency. This trend is likely to persist in the coming days well. Movement in the dollar and US-India trade negotiations are likely to drive the movement in domestic currency in the coming days. We are estimating a range of 88.5-89/$ for INR till the end of the month.

Movement in global currencies:

Global currencies have shown a varied performance against the dollar in the last month (10 Nov 2025 versus 10 Oct 2025), with EM currencies generally showing a strengthening bias. In comparison, currencies of AEs have weakened. DXY, which is a proxy for the dollar, has increased by 0.6%. A wide range of factors have contributed to the dollar strength. Most notably, there is a growing consensus amongst market participants that the Fed is unlikely to cut rates again this year. Fed officials, including the Fed Chair, have favoured a cautious approach to further rate cuts. This in turn is driven by a dearth of key economic data on inflation and jobs market due to a prolonged US government shutdown, which impacted the flow of official data. Amongst major currencies, JPY depreciated by 1.9% as hopes of rate hikes by the BoJ have dwindled after the election of the new Prime Minister. GBP also depreciated by over 1% as focus has remained on the announcement of the Budget, amidst reports of proposed tax increases.

Figure 1: Movement in global currencies



Source: Bloomberg, Bank of Baroda Research | Note: Change 10 Nov 2025 over 10 Oct 2025| Figures in brackets denote depreciation against the dollar

INR performance:

INR has remained steady last month. However, it continues to trade near a record low in the last few days. A stronger dollar have weighed on the domestic currency. At the same time, there are also concerns over higher tariffs as the US-India trade deal continues to remain in a limbo. Trading range for the INR in the last month was 87.83/$-88.70/$. In particular, while INR traded in a much wider range in Oct'25, it has remained largely range-bound in Nov'25. This has been largely attributed to RBI's intervention in the foreign exchange market, to prevent INR from slipping to a record low. In fact, while the average annualised volatility in INR was over 4% in Oct'25, it dipped to ~1.2% in Nov'25.

Outlook:

INR is likely to trade in a range of 88.5-89.0/$ in the coming days. However, this hinges on several factors. First, the trajectory of the dollar remains uncertain. With the US government shutdown now over, macro data on inflation and labour market will be available which is likely to play an important role in shaping the Fed's decision in Dec'25. Simultaneously, investors also remain wary of the legal developments surrounding US tariffs. At the same time, there are concerns over the impact of higher US tariffs on domestic economy, which is weighing on FPI flows. Hence, any positive development on the trade front is likely to lift investor sentiments.

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