

₹ may drop to 90 vs \$ by Dec-end, regain by Mar

Possible US trade deal may help lift Indian currency, say experts

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After declining almost 4.5 per cent this year, the rupee is expected to touch 90 a dollar in the coming weeks before regaining some ground to settle around 88.50 by the end of December on the back of a possible trade deal with the United States (US), according to a *Business Standard* poll of nine respondents.

The rupee on Friday fell 0.9 per cent — the second-steepest fall of the year — on delay over the much-awaited trade deal and hopes of a rate cut by the US Federal Reserve diminishing. It settled at 89.49.

The rupee on Friday was the worst-performing Asian currency.

The central bank not intervening in defending the currency when traders bought dollars in panic contributed to the fall.

A majority of the respondents in the poll expect the rupee to appreciate to 88 by the end of this financial year.

The central bank decided to stay on the sidelines after the rupee breached 88.80. This triggered stop-losses and the currency slipped to the day's low of 89.54.

"We expect a trade deal with the

Bracing for headwinds

How banks expect the rupee to fare



US to be concluded, which should bring down bilateral tariffs from the current 50 per cent," said Gaura Sen Gupta, chief economist, IDFC First Bank.

"This is likely to offer relief to the rupee, which has depreciated significantly. As a result, we expect it to stabilise at around 88.50 by December. Seasonal trends also support a firmer rupee in Q4FY26, as the trade deficit typically narrows. Accordingly, the exchange rate is projected to ease further to 87.50-88.00 during this period," she added.

The rupee has been the worst-performing Asian currency this year, falling 4.33 per cent. Some currencies in the region like the Taiwan dollar, Thai baht, and

	₹ vs \$ by Dec-end	₹ vs \$ by Mar-end
RBL Bank	90-91	91-92
IDFC First Bank	88.5	88
Bank of Baroda	89-89.5	89-90
IFA Global	88.5	88
CR Forex	88.5	87.5
Mecklai Financial Services	88.5	88
Shinhan Bank	88.4-90.5	87.6-90.2
Finrex Treasury Advisors	90	89.5
ICICI Securities Primary Dealership	90	88.5

Malaysian ringgit have appreciated.

Given the large short positions in forwards, including non-deliverable forwards (NDFs), likely exceeding \$70 billion by the end of October, this might lead the rupee to 90 briefly. However, recent positive signals from Indian officials and comments from US President Donald Trump have lifted expectations of progress on a trade agreement, which could help improve sentiment and offer the rupee some support.

A few respondents, though, held a bearish view, expecting the rupee to breach 90, with depreciation pressure persisting and the currency trading above 91 by the end of this financial year.

BUSINESS STANDARD POLL

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While a decision on the trade deal is likely, volatility could still rise, driven by yen depreciation, a possible delay in the Fed's rate-cut cycle, and a persistently wide trade deficit, they said. By the end of March, exports are expected to improve, helping narrow the deficit.

A finalised trade deal would further support sentiment, and as the calendar approaches May, when Chair Jerome Powell is supposed to retire, markets may start pricing in the possibility of a new, potentially more Trump-aligned Fed chief. This could initially weaken the dollar as expectations of rate cuts re-emerge.

"The Reserve Bank of India will look to augment its

reserves at every opportunity. Therefore, do not expect any meaningful appreciation.

Reserves of foreign-currency assets have declined over \$33 billion from the end of June while aggregate reserves have declined only \$10 billion. Adjusted for the negative forward book, the ratio of reserves to gross domestic product is close to the historic low of 2018," said Anitha Rangan, chief economist, RBL Bank.

India's foreign-exchange reserves were at \$692.5 billion for the week ended November 14, providing cover for more than 11 months' import of goods and for about 93 per cent of the external debt outstanding at the end of June.