BUSINESS STANDARD POLL

₹ may trade around 92.50/$ by Mar-end

Trade deal with US could reverse the fortune of the Indian currency

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The rupee, which has depreciated 7.05 per cent against the dollar in the current financial year (FY26) so far, is expected to trade around 92.50 per dollar by the end of March, according to a majority of respondents to a *Business Standard* poll.

The rupee fell to a new low of 91.96 per dollar on Friday due to sustained foreign outflows, coupled with a strong dollar demand from importers. The rupee was the worst performer among Asian peers on the day with a 0.36 per cent depreciation.

Market participants attributed the sharp weakening of the currency to a combination of factors, including delays in securing a trade deal with the US and continued foreign outflows.

"Geopolitical tensions are at a peak, and amid this uncertainty we are unlikely to see capital flows return over the next two months," said Anitha Rangan, chief economist at RBL Bank.

"By June, heading into the second half of the year, the US mid-term election cycle could result in President Donald Trump mellowing geopolitical tensions. India could then see a return of capital flows as uncertainty eases. Bloomberg index inclusion expectations should also bring in at least some debt flows to start with," she added.

According to the poll, a majority of respondents expect the rupee to appreciate towards 90 per dollar by the end of June.

"Much of the depreciation has been driven by capital outflows and sentiment. Based on indicators such as Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER), further depreciation could occur at a slower pace, with the possibility of a reversal at some point during the year," said Aditya Vyas, chief economist at STCI Primary Dealer Limited.

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Headwinds ahead

How respondents expect rupee to fare (against $)

	March-end	June-end
IDFC First Bank	89.5-90	91.0
Bank of Baroda	90.5-92.5	89-91
RBL Bank	92-93	92-93
IFA Global	92.0	92.5
CR Forex	92.2-92.5	89.5-90
Mecklai Financial Services	91.0	93.0
Shinhan Bank	90.8-92.8	91.2-93.2
Finrex Treasury Advisors	93.0	90.0
Emkay Global Financial Services	90.5-92.5	x
STCI Primary Dealer	92.5	93.5
Median	**92.5**	

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As of December 2025, the REER of the Indian rupee stood at 95.30, against 97.52 in November 2025. Some respondents expressed optimism about the prospects of a trade agreement with the US by the end of March, which they believe could lead to an appreciation of the rupee to around 90 per dollar by the end of the current financial year.

Recently, US Treasury Secretary Scott Bessent hinted at rolling back 25 per cent of the 50 per cent tariff imposed on India, citing that New Delhi has significantly scaled down buying Russian oil.

"We expect a trade deal to be announced with the US by March. This, combined with the fact that the balance of payments (BoP) deficit is likely to be lower in March due to seasonal factors, will provide the rupee with temporary relief," said Gaura Sen Gupta, chief economist, IDFC First Bank.

Gupta said depreciation pressure is likely to persist beyond March, with the balance of payments expected to remain negative in FY27 also.

"However, we expect the deficit to be smaller in FY27 than in FY26, as higher nominal GDP growth should lead to some improvement in capital inflows. In FY26 until December, the BoP deficit is tracking at $20 billion, with the capital account likely turning negative in Q3FY26," she added.

Respondents said that with a trade deal still proving elusive, foreign portfolio investors remain underweight on India, exerting sustained pressure on the rupee.

While the Reserve Bank of India (RBI) can take steps to moderate the pace of depreciation, it cannot alter the broader trajectory of the currency unless underlying structural factors improve.

"We believe the rupee will largely be driven by developments around the trade deal. It has decoupled from the Asia dollar index. The market is fixated on the trade deal now," said Abhishek Goenka, founder and chief executive officer of IFA Global.

The Indian currency was the worst-performing Asian currency in 2025 and continues to be so in January so far. The RBI has been active in the foreign exchange market to curb undue volatility. The country's foreign exchange reserves, at $701 billion — near the all-time high of $705 billion — provide a cushion against the exchange rate volatility.

Beyond FTA: India, EU near deals on defence, mobility

Costa and von der Leyen will be the chief guests at the 77th Republic Day parade on Monday, which is a first for the EU leadership. While von der Leyen arrived on Saturday, Costa landed in New Delhi on Sunday. Union minister Jitin Prasada received both. The two were accorded the ceremonial welcome and guard of honour on Sunday.

External Affairs Minister S Jaishankar posted on social media on Sunday evening pictures of him meeting the two EU leaders. "Confident that their upcoming discussions with Prime Minister Modi will herald a new chapter in India - European Union relations," Jaishankar said. While Costa and von der Leyen will be the chief guests at the Republic Day parade, other EU leaders that arrived in New Delhi include EU Vice President Kaja Kallas and EU Commissioner for Trade and Economic Security Maroš Šefčovič.