November 23, 2026

Against the Dollar Tide: How the Rupee Has Steadied since October 10, 2026

What's the Point?

- **The rupee has gained 4.4% against the US dollar** since the RBI's measures of October 10, 2026, strengthening from 96.74 per dollar on October 9 to 92.68 on November 20, 2026.
- It has done so while the **dollar has kept strengthening against other major currencies**, gaining 2.1% against the euro, 0.2% against the yen and 1.1% against the pound over the same period.
- **Cooler oil has helped**: Brent is at $93 a barrel, 21% below its October 30, 2026 peak. This has helped **boost investor sentiment** with net FPI inflows rising to Rs. 1.29 lakh crore in November (data till Nov 20, 2026)
- Even after its recent bounce, the rupee's real effective exchange rate **(REER) is about 8% below its 10-year average**, suggesting the rupee has further room to stabilise.

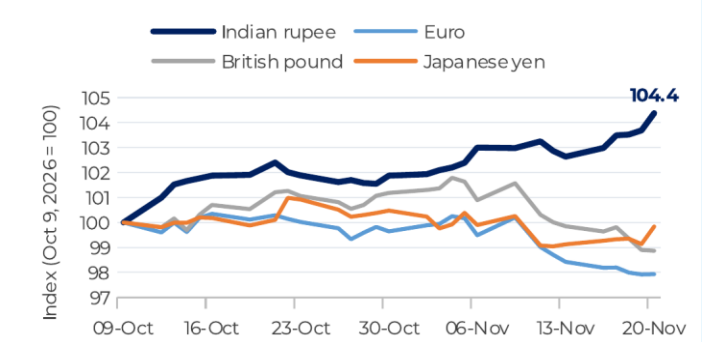
RBI's measures on October 10 have helped stabilize the rupee

On October 10, 2026, three days after the Monetary Policy Committee raised the repo rate by 25 bps to 5.50%, the RBI took steps to cool dollar demand and discourage speculation against the rupee. It opened a special window to meet the dollar needs of Indian Oil, BPCL and HPCL directly from its reserves; introduced restrictions on rebooking of cancelled foreign exchange derivative contracts, reduced the threshold for undertaking foreign exchange derivative transactions without establishing underlying exposure, requiring additional documentation for verification of underlying exposures and introduced a Foreign Exchange Risk Reserve (FERR) for transactions above a certain size. The rupee has stabilized since these measures were announced.

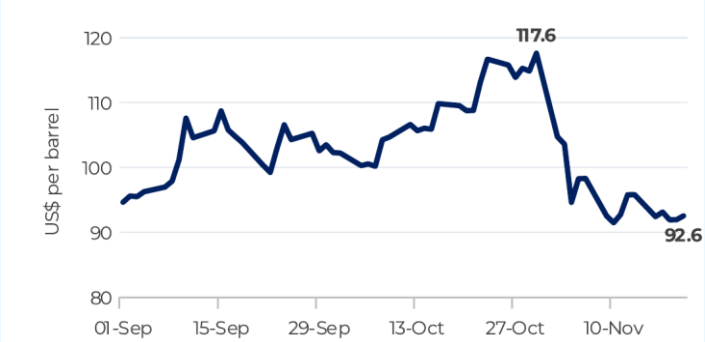
Stronger against a stronger dollar

Between the start of the year and October 9, 2026, the dollar gained against the euro, pound and yen as well as the rupee: the rupee's weakness was largely a story of broad dollar strength. Since then, the rupee has strengthened against the dollar, while other currencies have continued to weaken. The dollar has kept gaining against the euro, yen and pound since October, yet the rupee has strengthened 4.4% against it, pointing to the October measures as the main driver. In the last two weeks of October, the rupee held between 94.5 and 95.3 even as Brent hit $117.6 a barrel.

Rupee up against the dollar; other majors down



Brent has fallen sharply from its late-October peak



Source: Bloomberg, HDFC MF calculations. Data as of November 20, 2026. Left: each currency's value against the US dollar, October 9, 2026 = 100; higher = stronger. Right: Brent front-month futures.

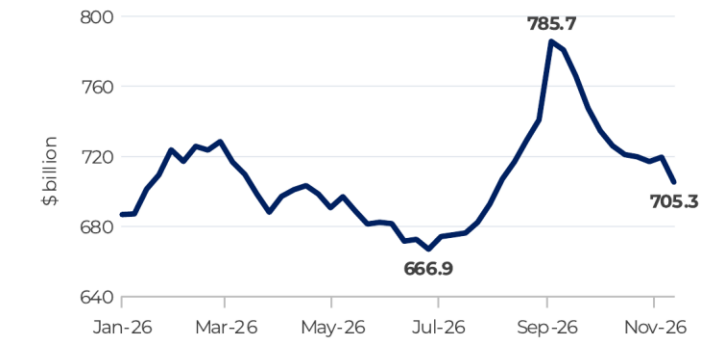
Oil and reserves: two sources of support

Oil has turned from a headwind into a tailwind, falling about 21% since its peak in October. This has helped support the rupee as cheaper oil reduces demand for dollars to source India's energy imports. Meanwhile, forex reserves stood at $705.3 billion in the week ending November 13, 2026. That is below the September 4 peak of $785.7 billion, but $38 billion above the late-June level, when FCNR(B) inflows were only beginning. These factors have helped boost investor sentiment, with net FPI inflows rising to Rs. 1.29 lakh crore in November (data till Nov 20, 2026). These factors have helped stabilize the rupee at a time when the external environment remains challenging.

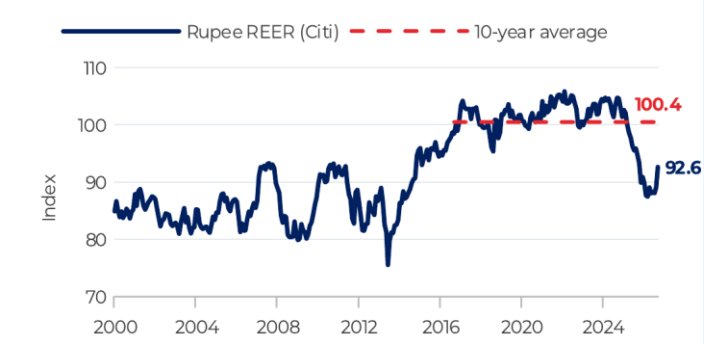
HDFC Mutual Fund: SEBI Registration Number: MF/044/00/6

Mission: To be the wealth creator for every Indian
Vision: To be the most respected asset manager in the world

Reserves: off the peak, above pre-FCNR(B) levels



REER has bounced, but is below its 10-year average



Source: RBI, Citi, Bloomberg, HDFC MF calculations. Left: weekly, to November 13, 2026. Right: Citi broad REER, month-end values since the series starts (March 2000), latest November 20, 2026; 10-year average of daily values to November 20, 2026.

The rupees' Real Effective Exchange Rate (REER) remains below its 10-year average

Citi's REER for the rupee, which adjusts for inflation across trading partners, is up 5.9% since October 9, 2026, to 92.6 on November 20, 2026, but is still about 8% below its 10-year average of 100.4. A REER below its long-run average suggests the rupee has further room to stabilise.

Conclusion

The October measures have helped reduce dollar demand in the spot market and made betting against the rupee costlier, while lower oil has added additional support. What stands out in recent weeks is that the rupee has strengthened, while the dollar has gained against other major currencies. The external environment remains challenging with volatile oil prices and high US bond yields. Despite these risks, significant FX reserves and REER below its long-run average may help stabilize the rupee further.

Sources: RBI, Bloomberg, HDFC MF calculations, publicly available information

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