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Market-Implied Path (Fed-Funds Futures snapshot)

Meeting	Implied Rate	Cumulative Δ vs now
10 Dec 2025	3.71 %	–15 bp
28 Jan 2026	3.62%	-25 bp
29 Apr 2026	3.47 %	–40 bp
28 Oct 2026	3.11 %	–76 bp
09 Dec 2026	3.05%	-82 bp

Next meeting probabilities: **No change 38 %, 25 bps cut 62 %**

A shutdown resolution is more supportive for risk-sensitive crosses than outright dollar-negative; labor softness and easier funding argue for a lower DXY bias, but we'll need cleaner catalysts to break the range

Two forces defined last week's U.S. economy; fading momentum in what had been robust US growth and renewed equity-valuation angst both amplified by an official-data blackout from a shutdown that on Sunday reached Day 40. Late in the week's aftermath, the Senate advanced a House-passed resolution to reopen the government, to be amended to fund operations through Jan 30. While Labor signals continues to softened (Challenger layoffs at two-decade highs; U. Michigan sentiment near historical lows), but Atlanta Fed GDPNow ~4.0% (Nov 6) and firm ISM services underscored the AI-capex cushion even as manufacturing contracted an eighth month.

The dollar after touching 100 has weekend while currently there are two camps on the U.S. dollar. *The **"strong-USD"** view emphasizes relative U.S. growth and returns plus a persistent safe-haven bid. The recent rebound toward the highs reflects U.S. exceptionalism, with firmer data supporting the greenback. Structurally, the dollar's network power trade invoicing, global funding, and reserve status sustains demand through cyclical wobbles.*

*The **"USD-down"** camp sees a softer path ahead on three fronts: (1) a more dovish-than-peers Fed and equity-flow dynamics that have pressured the dollar since mid-year; (2) liquidity and positioning markets came in long USD, tariff premia look largely priced, and non-USD liquidity is improving; and (3) balance-sheet mechanics potential Fed balance-sheet expansion to stabilize funding would add dollar liquidity relative to demand, a classic headwind for the greenback. **Meanwhile we feel that the DXY has stalled after a brief rally, capped by technical resistance and worries about the shutdown's drag on activity. Technically, DXY may have peaked around 100.36; if that holds, bounces are likely to struggle in the 99.80-100.00 zone.***

***Fed messaging is split.** A **"go-slow/hold" bloc** Powell, Vice-Chair Jefferson, and Goolsbee stresses that December is "not a foregone conclusion," with Goolsbee explicitly undecided given patchy data during the shutdown; this camp prefers patient, meeting-by-meeting moves. Offsetting that, a **"keep-cutting" bloc** Governor Lisa Cook ("December is live"), San Francisco's Daly (open to another move), and new Governor Stephen Miran leans toward further easing; **Miran has said he'd ideally back a 50 bp cut in December, with 25 bp as the floor**.*

*Over the weekend, Trump made several key announcements: proposing 50-year mortgages, $2,000 stimulus checks, and claiming that tariff revenues would be used to pay down U.S. debt. **While a $2k tariff rebate would be a near-term consumption impulse but comes with inflation optics** (tariffs as a tax on imports) and legal/process hurdles; claims that tariffs materially reduce the debt face arithmetic headwinds even under optimistic revenue paths. **Ultra-long mortgages could cushion housing affordability cyclically but risk prolonging household leverage** and pushing interest-rate sensitivity further into the future.*

This week in the U.S., attention pivots back to private proxies NFIB small-business sentiment and ADP's weekly employment gauges while markets tune in for remarks from the Treasury Secretary. A heavy slate of Fedspeak, including Governor Miran and several regional presidents, will be parsed for how officials weigh inflation risks against labor softness.

Range-Bound Dollar into Year-End: Cuts, Truce, and Position Squaring

The Dollar Index's retest of 100 keeps the post-Liberation Day range firmly intact. A durable bottom looked to form in late June as the market narrative shifted from "shock" to "navigation", equities staged a V-shaped rebound that restored risk appetite, and investors reassessed "Trump 2.0" as more rules-driven than the caricature implied. Those dynamics underpinned the dollar's early recovery by shoring up growth expectations and limiting the need for extreme safe-haven bids.

That momentum faltered through Q3 when the Fed pre-emptively cut again before inflation had clearly slipped below target. The move flattened the expected policy path, markets overpriced additional easing, and rate-differential support for the dollar eroded just as several G10 central banks paused after a year of cuts. Together, those shifts blunted USD upside even as global data remained patchy.

Cross Asset fund flow as of 29th Oct'25

Category	4 wk. avg. ($bn)	2024 avg. ($bn)
All Equities	8.6	10.1
All Bonds	13.8	11.1
US Equities	6.3	8.3
US Bonds	7.2	4.7
EM Equities	0.6	1.6
EM Bonds	0.69	0.002
Japan Equities	0.9	0.1
China Equities	-0.16	1.60
Europe Equities	0.9	–1.2
Europe Bonds	3.7	4.6

Source: JP Morgan

Into Q4, dollar gains have broadened modestly, helped by a US-China trade-truce narrative that reduces tail risk without reigniting full-throated global reflation. At the same time, the prolonged US government shutdown and missing data create a fog that makes it harder to challenge the Fed's easing strategy with evidence. **With most concessions to the US policy view already on the table, the year-end setup looks increasingly like a blend of stale themes, position adjustment, and profit-taking across assets signals echoed by the behaviour of gold, equities, and rates.** Net-net range dynamics still dominate, with swings driven more by liquidity and positioning than by fresh macro conviction.

Shutdown ending Hopes Lift Risk; Softer Labor & Easier Funding Tilt DXY Lower, Tariff Path Still Murky

Signs of a shutdown deal emerged over the lifting risk sentiment: US equity futures ~+1% and Asia firmer. In FX, the AUD popped ~0.5%, USD/JPY pushed back above 154 as carry trumped BoJ-hike chatter. The broad dollar (DXY) has paused near the top of its 3-month range; if last week's 100.36 high holds, rebounds should stall around 99.90–100.00.

Rates and data painted a softer US growth mosaic: the 2-yr UST fell ~8 bps after Challenger reported 153k October job cuts (largest October rise since 2003). Other private gauges rhyme ISM employment sub-50 in both manufacturing and services, job ads' 4-week average near 2020 lows, Revelio Labs at –9.1k October employment (from +33k in Sept). ADP did rebound (+42k vs –29k), so the mix is uneven but tilts weak, suggesting more firing risk.

With official data still thin, focus turns to NFIB small-business sentiment and a heavy slate of Fedspeak; in a data-light backdrop, the market's ~62% odds of a Dec 25bp cut could drift toward ~50% if officials emphasize a slower easing path.

Rupee resilient against US Dollar despite FPI outflows and rising treasury yields

The Indian Rupee exhibited notable resilience last week, appreciating by **0.12%** against the US Dollar amid a broadly strengthening greenback and elevated US Treasury yields. Intraday volatility peaked mid-week, with the local currency plunging to a weekly low of ₹88.8050/$ on 3rd Nov'25 — near record lows before recovering sharply as exporters aggressively sold dollars near the ***psychological 88.80 zone, widely regarded as the de-facto floor***.

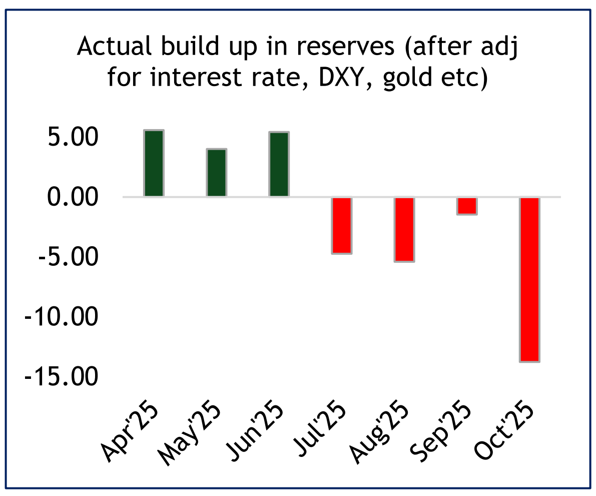
Rupee edges up 0.12% against the USD, navigating FPI outflows & strong Treasury yields to emerge as one of the top-performing Asian currencies last week

According to NSDL data, FPIs withdrew ~$1.4bln from Indian equities in November so far, following trend reversal to inflows in October. Dollar demand from oil marketing companies and importers added pressure, limiting any appreciation. Despite these pressures, the Rupee ended the week as one of the top-performing Asian currencies, outperforming the Chinese Yuan (0.05%), Korean Won (-1.52%), and Indonesian Rupiah (0.02%). Overall, the rupee remained range-bound, reflecting a delicate balance between external pressures and policy support. ***Markets now await India's October CPI data and US inflation figures for directional cues in the coming week***. (Last Friday's close: ₹88.7700/$) [O: ₹88.7800/$, H: ₹88.8050/$, L: ₹88.3900/$ & C: ₹88.6650/$].

Recent Developments in India – US Trade talks

Date	Development	Details
April 2, 2025	US declares national economic emergency; initial reciprocal tariffs imposed	10% baseline + 25% reciprocal tariff on Indian goods, targeting trade deficit. Pause for negotiations extended to July.
August 1, 2025	First penalty tariffs enforced	Additional 25% tariff on Indian exports, bringing total to 50%, linked to Russian oil purchases.
August 6, 2025	Executive order formalizes penalty	Trump signs order citing "unfair practices"; India criticizes as "unjustified," vows WTO action but holds off on retaliation.
August 27, 2025	Full 50% tariffs take effect	Combined duties (25% reciprocal + 25% penalty) hit most sectors; US threatens secondary sanctions.
September, 2025	Five rounds of bilateral talks held	Focus on market access (US pushes dairy/agri entry); India resists but discusses corn/soymeal quotas.
October 21, 2025	Reports of nearing trade deal emerge	US may slash tariffs to 15-16%; India to phase down Russian oil imports and raise US corn quota. Announcement eyed for ASEAN Summit.
October 31, 2025	10-year defence pact signed	Amid tariff tensions, pact boosts military ties; Trump-Modi talks emphasize trade progress.
November 2, 2025	Exports data confirms tariff impact; China tariffs cut to 47%	US-China deal lowers duties below India's 50%, pressuring New Delhi.
November 5-7, 2025	Trump praises Modi as a "great man and friend," claims India has "largely stopped" Russian oil buys, and hints at 2026 India visit.	Goyal states talks "going on very well"; NITI Aayog CEO predicts breakthrough by November end. Finance Minister Nirmala Sitharaman recently said talks are "in full force" and likely to wrap up soon.

Month	Change in total FX reserves	Build-up in reserves (after adj for interest rate, DXY, gold etc)
Apr'25	22.73	5.58
May'25	3.36	4.00
Jun'25	11.3	5.41
Jul'25	-4.59	-4.73
Aug'25	-3.96	-5.4
Sep'25	6.01	-1.46
Oct'25	-10.5	-13.76



Broader Context and Implications:

▪ *Tariffs and Oil Linkage: US has imposed 50% tariffs on Indian goods partly due to Russian oil purchases. Recent US sanctions on Rosneft and Lukoil (22nd Oct'25) add pressure, but narrowing oil price gaps could ease this.*

▪ *Sectoral Focus: Agriculture remains contentious — US exports of corn/soybeans fell sharply post China deal, pushing for Indian quotas. India insists on periodic tariff reviews.*

▪ *Strategic Angle: The pact aligns with US Indo-Pacific goals, but experts warn ties may not regain past strength amid US outreach to Pakistan and sanctions.*

▪ *Timeline Risks: Post-Bihar polls (Nov 2025) could delay announcements to avoid farmer backlash. H-1B visa fees might resurface post-deal.*

Rupee steadies as Brent cools & dollar softens, offering a brief tailwind amid global uncertainty.

Brent crude oil prices displayed mild volatility last week, settling with a modest ***1.06% decline*** amid a tug-of-war between OPEC+ production pauses and a resilient US dollar and geopolitical uncertainties. Global oil inventories rose as U.S. crude stocks unexpectedly climbed 3.9 million barrels in the week ending Nov 1, reversing prior draws. OPEC+'s pause on Q1 2026 output hikes lent support, but a stronger USD made oil costlier for non-dollar buyers, curbing gains.
This week, Brent is poised for further softening, with a downward bias amid rising global inventories and delayed OPEC+ hikes and EIA's Short-Term Energy Outlook (next release 12th Nov) anticipates EIA's Q4 outlook ($62/bbl avg.). On a WoW basis, prices dipped by ~**1.06%**, and they still reflect a sharp **YTD decline of ~14%**. *Lower Brent prices strengthen the rupee by cutting India's $140B oil import bill saving billions, narrows the CAD, curbs inflation, and boosts FII inflows.*

Dollar Index (DXY) exhibited modest weakness last week, falling 0.35% amid dampening Federal Reserve rate-cut expectations and ongoing global uncertainties, including the US government shutdown (day 40) raised data voids. Trump's tariffs weighed on EM currencies; FOMC confirmed QT end Dec 1, supporting yields. On a WoW basis, fall by ~***0.35%***, and they still reflect a ***YTD decline of ~8%***. *A stronger DXY, puts upward pressure on USD/INR, limiting rupee gains despite supportive domestic factors like FPI inflows and lower crude prices.*

Rupee resilient even as FPIs retreat and reserves slip

Foreign Portfolio Investors (FPIs) have pulled out ***$17.39bln*** from Indian markets YTD as of 07th Nov'25. Even though, we saw the trend reversed in Oct'25 with positive inflows but turned negative again in Nov'25. FPIs turned ***net seller in equities $1417mln*** vis ***inflows of $826mln*** on a WoW basis. Flows continue to be marginally positive in debt to ***$68mln vis-a-vis $418mln*** inflows a week ago. FAR flows, at ***$7.68bln YTD***, including a $106mln mere inflow so far last week.

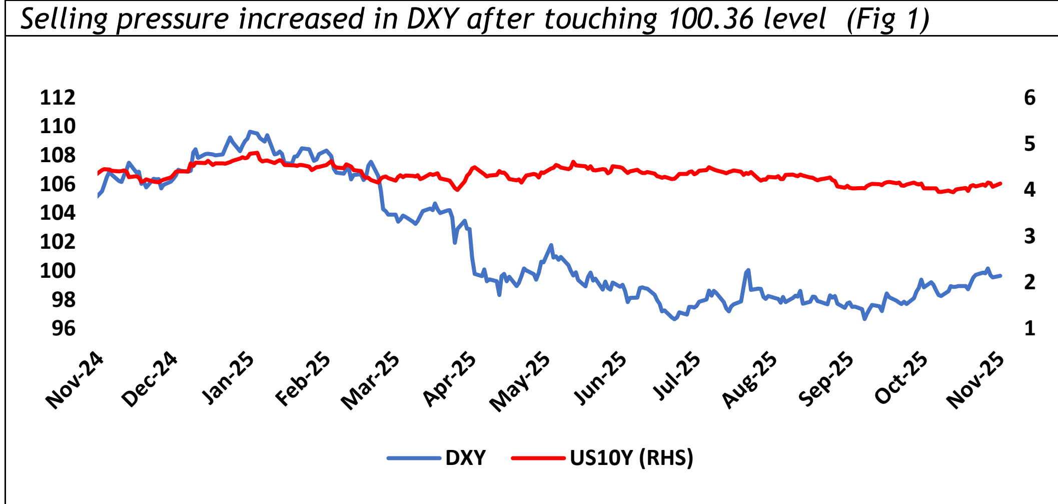
FX reserves dipped further by $5.62bln to ***$689.73bln*** for the week ending 31st Oct'25, driven mainly by a ***$1.95bln*** fall in **FCA** to $564.59bln and ***$3.81bln*** fall in **Gold** (covering ~11 months of imports). With this fall, reserves now stand just ***$15.13bln*** shy of all-time highs ***$704.86bln*** recorded on 27th Sep'24. A valuation gains of $0.51bln was also noted in this week, with a cumulative of ***~$14bln only in Oct'25*** highlighting the central bank's ongoing efforts to stabilize the FX market. Our analysis suggests a BoP deficit of ~$11bln for FYTD26, with FX reserves (excluding valuation effects) continuing to align closely with BoP trends.

Outlook (INR - ₹ view):

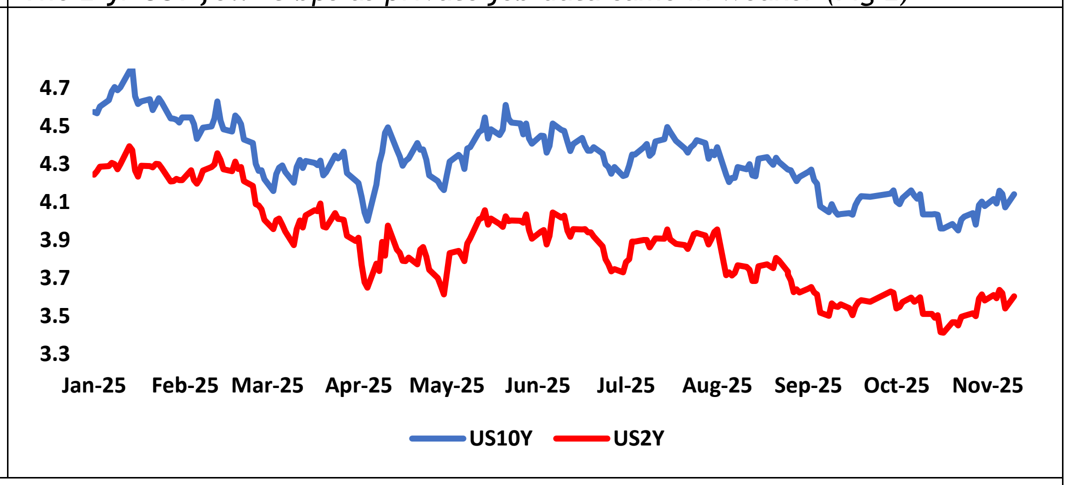
The Rupee is likely to remain range-bound this week, with a slight downward bias amid external headwinds. While lower crude oil prices and easing US dollar strength could provide some relief, renewed FPI outflows and elevated US Treasury yields are expected to limit significant gains. Market participants will closely watch India's October CPI data and upcoming US inflation figures, as these could provide directional cues. Overall, the rupee is expected to navigate a delicate balance between supportive domestic factors and persistent global pressures, with any surprise positive inflows or policy developments, while adverse shocks could test record low levels.

Technically, positive domestic equity inflows or progress in US-India trade talks could push the INR toward ₹87.80/$, with ₹88.40/$ as a key level. Conversely, a bearish turn might see resistance at ₹88.80/$ where selling pressure intensifies, with a potential move to ₹89.30/$ if breached. Geopolitical and tariff developments will remain critical for market sentiment.

Selling pressure increased in DXY after touching 100.36 level (Fig 1)

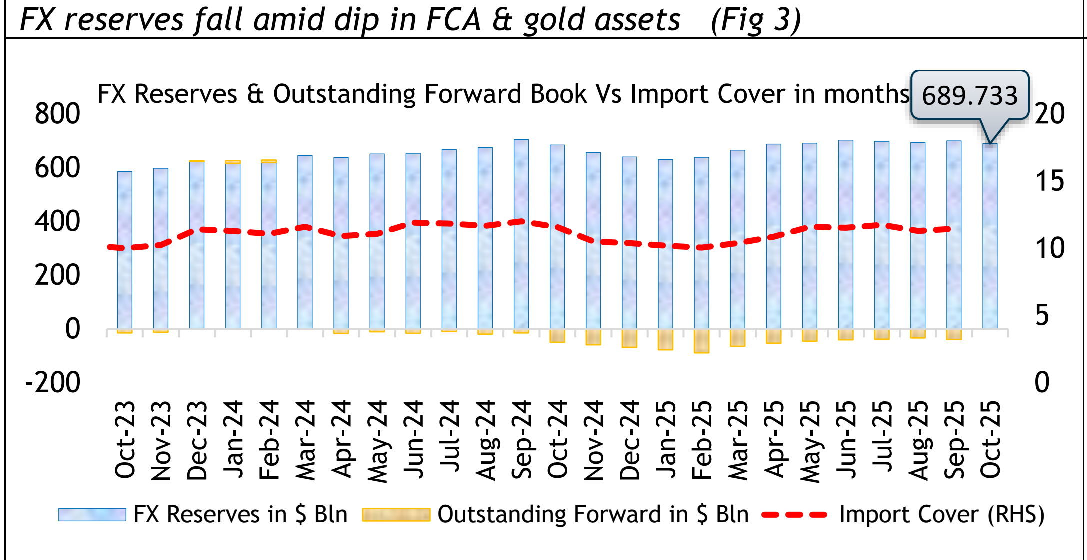


The 2-yr UST fell ~8 bps as private job data came in weaker (Fig 2)

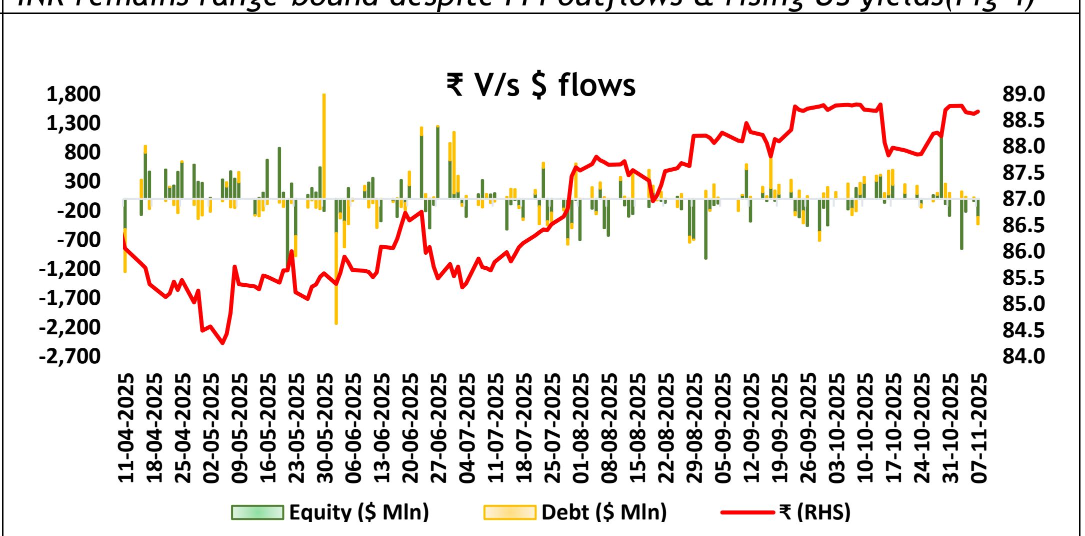


Source: LSEG, UBI research

FX reserves fall amid dip in FCA & gold assets (Fig 3)



INR remains range-bound despite FPI outflows & rising US yields (Fig 4)



Source: Bloomberg, LSEG Workspace & UBI Research

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