

Euro hits six-week high on economic, Ukraine optimism, dollar dips

By Karen Brettell, Reuters, December 3, 2025

The euro hit a six-week high against the dollar on Wednesday, boosted by data showing an expansion in euro zone business activity, while weaker than expected U.S. jobs data and expectations of further U.S. rate cuts weighed on the dollar. Business activity in the euro zone expanded at its fastest pace in two-and-a-half years in November as a robust service sector more than offset manufacturing weakness. "There's been this upward creep in good data for Europe, which I think the market is beginning to pay attention to," said Steve Englander, head, global G10 FX research and North America macro strategy at Standard Chartered Bank's NY Branch. Several other European currencies were also stronger on Wednesday, potentially indicating optimism over an end to the Russia-Ukraine war, Englander said. "These are all currencies that would benefit from peace in Ukraine." The Kremlin said on Wednesday that President Vladimir Putin accepted some U.S. proposals aimed at ending the war in Ukraine and rejected others, but that Russia was ready to meet U.S. negotiators as many times as it took to reach an agreement.

The euro was last up 0.33% at \$1.166 and reached \$1.1675, the highest since October 20. The Swedish crown strengthened 0.57% versus the dollar to 9.392. The dollar fell 0.54% against the Norwegian krone to 10.06 krone. The dollar index was down 0.31% to 98.99 and fell to as low as 98.88, the lowest since October 29. The greenback briefly extended losses against the euro after the ADP employment report showed that U.S. private payrolls unexpectedly declined in November. Private employment decreased by 32,000 jobs last month. Economists polled by Reuters had forecasted an increase of 10,000 jobs. The U.S. currency has weakened in recent days on speculation that White House economic adviser Kevin Hassett will take over as Federal Reserve Chair after Jerome Powell's term ends in May.

The Wall Street Journal reported on Tuesday that the Trump administration canceled interviews that were set to begin this week with finalists to be the next Fed Chair, suggesting that Trump has already chosen Powell's successor. "(Hassett's) resume is very strong. The only question is, is he going to be able to be independent of the pressures that are bound to come from the White House?" said Englander. Trump has repeatedly stated that the Fed is being too slow to cut rates. The new Fed Chair, however, will not themselves be able to sway Fed policy that is decided by a committee. The Japanese yen strengthened 0.31% against the greenback to 155.37 per dollar. Sterling strengthened 0.76% to \$1.3313. A survey on Wednesday showed that growth among Britain's services firms declined last month and employment contracted the most since February in the run-up to the government's budget.

Mexico's peso to trade within decade-old range in 2026: Reuters poll

By Gabriel Burin, Reuters, December 3, 2025

Mexico's peso will keep trading in 2026 close to the center of a range between 16.00-22.00 per U.S. dollar that recently turned 10 years old, a Reuters poll found. The currency first entered the interval in July 2015. It has averaged a mid-value of 19.20 since then, only crossing the upper bound of 22.00 during the height of the COVID pandemic of 2020. Now, the peso is forecast to weaken 3.4% to 18.92 in 12 months, from 18.27 on Tuesday, still near the center of the range, according to the median estimate of 22 analysts polled November 28-December 3. "Risks surrounding our MXN forecast remain balanced, although with a slight bias towards depreciation," said Christian Admin de la Huerta Avila, an economist at Finamex. This view is based on recent signs of weaker economic activity, less dynamic remittances and "the possibility of greater divergence between Banxico and the Federal Reserve," he added.

While the Mexican central bank - known as Banxico - is expected to continue its gradual policy easing, a divided U.S. Federal Reserve could halt rate cuts after an expected move this month. This may eventually prompt bets against the peso at some point on the possibility of diminishing interest rate differentials currently favoring Mexico's unit. Of 11 foreign exchange strategists who responded to an extra question on risks to their forecasts for the peso, five saw a weaker bias, three a stronger one, and three had a neutral view. Elsewhere, Brazil's real is set to weaken 3.1% to 5.50 per dollar in one year, from 5.33 on Tuesday. Year-to-date, the Brazilian currency is up 15.9%. The consensus forecast estimated the real at 5.38 by the end of 2025, implying a 14.9% gain this year that would be its biggest since a 21.8% appreciation in 2016. The Mexican peso is up 13.9% so far in 2025, aiming at a 12.5% annual appreciation that would be the strongest since a 14.9% rise in 2023.

India rupee falls to record low below 90, risks steeper slide without central bank help

By Nimesh Vora and Jaspreet Kalra, Reuters, December 3, 2025

The Indian rupee slid past 90 per U.S. dollar to a record low on Wednesday, declining for the sixth consecutive session as traders bet subdued trade and portfolio flows will keep Asia's worst performer under pressure without central bank intervention. The rupee fell to a record low of 90.29 per U.S. dollar, eclipsing its previous low hit a day earlier. It ended the

day's session at 90.19, down nearly 0.4% on the day. The slide underscores a divergence in India's domestic and external macroeconomic position. While GDP growth has been stronger-than-expected, punitive U.S. tariffs and weak capital flows have piled pressure on the rupee. The rupee has fallen 5.3% year-to-date, putting it on track for its steepest annual decline since 2022, and making it the worst-performing Asian currency. "I'm not losing sleep over it," V Anantha Nageswaran, the country's chief economic adviser, said at an event on Wednesday. The weakness has had no impact on inflation, he added, and said he expects the currency to recover in 2026.

FOREIGN FLOWS SLOW

"Every day that we do not have a trade deal, the FX demand from trade deficit and outflows keeps pushing USD/INR higher, while FX supply is relatively thin and inconsistent," said Joey Chew, head of Asia FX research at HSBC in Singapore. "Foreign investors are also losing patience. We had one month of net inflows in October, but without any more trade deal headlines since then, net flows have become flat," she said. Overseas investors have pulled about \$17 billion from Indian equities this year,

Indian rupee slumps to record low

Rupee has weakened 5% against the U.S. dollar over 2025 so far



while net foreign direct investment and overseas commercial borrowings have been soft, worsening the strain on the rupee. On Wednesday, India's benchmark equity index, the Nifty 50 (.NSEI), closed down 0.2% while the yield on the benchmark 10-year bond nudged up to 6.53%.

India's trade deficit has been widening and hit a record \$40-plus billion in October. HDFC Bank expects India's current account deficit to rise close to 1.1% of GDP this financial year and the balance of payments to stay in a deficit. "The weak macro picture in India makes weak currency performance inevitable, there has been a slide in so many data points recently – rising trade deficits, weakening nominal GDP growth, weak FDI and foreigners selling down domestic equities, etc," said Sat Duhra, portfolio manager at Janus Henderson Investors in Singapore. Investors and bankers say any relief on the rupee depends on a breakthrough in U.S.-India trade negotiations, which have been stalled for months. "The longer it takes for a trade deal to come, the longer the pressure on the rupee is likely to persist," said Sakshi Gupta, principal economist at HDFC Bank. Gupta expects the rupee to hover in the 92 to 93 range next quarter.

LIMITED RBI INTERVENTION, SPECULATIVE BUILD UP

The impact of the macroeconomic headwinds has been compounded by signs of speculative activity, as seen in the rise in dollar/rupee non-deliverable forward points and a further build-up in importer-driven dollar demand. The 1-month dollar/rupee non-deliverable forward points jumped to a seven-month high of 23.25 paisa on Wednesday, a near 50% surge in three days. "The way the points have moved tells you speculators are simply trading what the price action is signalling - the upside momentum (on dollar/rupee) is picking up," a Singapore-based banker said. The relatively light-touch intervention — and the central bank's reluctance to force the dollar/rupee back down — is making speculators more confident, said the banker, who did not want to be named. Onshore far-forward points have also jumped, as importer hedging demand has surged, with expectations tilted toward a further weakening of the rupee. The implied 1-year dollar/rupee forward yields jumped 12 basis points to the highest since January.