

## **Softer dollar of scant help to rupee as importer hedging, outflows persist**

By Jaspreet Kalra, Reuters, November 13, 2025

The Indian rupee closed marginally lower on Thursday as outflows and dollar demand spurred by persistent hedging from importers eclipsed the positive impulse from a broadly weaker dollar. The rupee closed at 88.6650 against the U.S. dollar, down slightly from its close at 88.63 in the previous session. Portfolio outflows from local stocks and persistent dollar demand from local companies have become sore points for the South Asian currency, increasing its reliance on central bank interventions to hold above its all-time low of 88.80 per dollar. On Thursday too, state-run banks were spotted offering dollars which helped the rupee hold its ground. The dollar sales were "intermittent and measured," a trader at a private bank said.

"The line on the sand appears to have (been) drawn at 88.80, ahead of 89.00 and psychologically key level of 90.00. Intervention presence has been relatively aggressive at the spot as well as forwards/NDF space," DBS said in a note. Foreign investors have net sold over \$850 million of Indian stocks in November so far. Foreign portfolio investors' ownership in companies listed on India's National Stock Exchange has declined to just under 17%, the lowest in over 15 years, per a note from the exchange on Thursday.

Meanwhile, the dollar index fell 0.2% to 99.1, its lowest level in nearly two weeks, after U.S. President Donald Trump approved a deal to reopen the U.S. government, removing a major source of uncertainty. Asian currencies were up between 0.2% to 0.4% while global equities advanced as well. India's benchmark equity indexes, the BSE Sensex (.BSESN) and Nifty 50 (.NSEI) ended flat on the day. Later in the day the focus will be on remarks from U.S. Federal Reserve policymakers for cues on the trajectory of the central bank's benchmark interest rates.

## **Fed split deepens as Collins says she would hesitate to support another cut**

By Ann Saphir, Reuters, November 12, 2025

Boston Federal Reserve President Susan Collins, who voted for both of the Fed's policy-rate reductions this year, said on Wednesday she sees a "relatively high bar" for additional easing in the near term, citing worries about elevated inflation. "Absent evidence of a notable labor market deterioration, I would be hesitant to ease policy further, especially given the limited information on inflation due to the government shutdown," Collins said in remarks prepared for delivery to a bankers conference in Boston. "It will likely be appropriate to keep policy rates at the current level for some time to balance the inflation and employment risks in this highly uncertain environment."

Her remarks underscore the deepening divisions at the Fed and the lack of consensus around another rate cut, challenges Fed Chair Jerome Powell flagged two weeks ago. Despite "solid" support for the most recent interest-rate cut, Powell said, another reduction at the Fed's December meeting was "not a foregone conclusion, far from it." Collins "has never dissented and has always been aligned with the center of the Committee so this seems significant," wrote III Capital Management's chief economist, Karim Basta. "January may well be more likely than December for the next move as it gives them time to look at more data."

The U.S. House on Wednesday was poised to vote to end the record-long shutdown, which has delayed the release of key economic data. The White House on Wednesday said October jobs and inflation reports might never be released. October's quarter of a percentage point reduction in the policy rate range to 3.75%-4.00% drew two dissents, one from Kansas City Fed chief Jeffrey Schmid, who wanted to leave rates unchanged, and the other from Fed Governor Stephen Miran, who wanted a bigger half-point cut because he feels inflation is falling faster than is widely appreciated. Since then a few others of the Fed's 12 voting rate-setters, like Collins on Wednesday, have signaled growing caution on rate cuts. They include St. Louis Fed President Alberto Musalem who worried about policy becoming too easy, and Fed Vice Chair Philip Jefferson who said proceeding slowly is particularly prudent given the lack of official data during the U.S. government shutdown.

Non-voting rate-setters including Atlanta Fed President Raphael Bostic have also expressed a preference for holding rates steady, given inflation risks, while others such as San Francisco Fed President Mary Daly call for being open-minded. On Wednesday, Collins said she views short-term borrowing costs as "mildly restrictive" amid financial conditions that are a tailwind for economic growth. The labor market has clearly softened, she said, but downside risks have not worsened since the summer. And while tariffs have pushed up inflation less than expected and their effect may abate in early 2026, she said, she is worried inflation that has run above the Fed's 2% target for nearly five years could remain elevated. "It seems prudent to ensure that inflation is durably on a trajectory back to 2% before making any further adjustments to our policy stance," Collins said.

## **How the yen tripped up investors...again**

By Rae Wee and Ankur Banerjee, Reuters, November 13, 2025

Investors laid a record wager on Japan's yen rising to take advantage of a long-overdue economic revival that coincided with expectations for a U.S. slowdown. Instead, what's unfolded is a cautionary tale of the Trump era. The yen is struggling at nine-month lows and speculators are back-peddalling from their biggest bet on the currency in records stretching back almost four decades. They have been wrong-footed by a U.S. economy surprisingly resilient to trade shocks, where policymakers have cooled on further interest rate cuts, and by a new government in Japan that has shown preference for the central bank to keep a lid on rate rises. The unravelling of such a popular bet underscores just how thoroughly markets have defied expectations over the first eleven months of U.S. President Donald Trump's second term in office. It also shows how stubbornly weak Japan's currency is proving and, for investors, it has been an expensive misstep, since holding yen – which yields hardly anything – means foregoing income available in other investments.

After peaking in April, the yen has trended lower on expectations of greater stimulus under the new government and as the Bank of Japan maintains a cautious stance on rates. After peaking in April, the yen has trended lower on expectations of greater stimulus under the new government and as the Bank of Japan maintains a cautious stance on rates. "There was a lot of expected interest rate convergence between the U.S. and Japan, and that's probably not playing out as smoothly or as expected," said Bart Wakabayashi, branch manager at State Street in Tokyo where investors have dialled bullish yen bets all the way back to neutral over the past seven months. The yen drew hints at official intervention from Japan when it hit a nine-month low of 155.05 to the dollar this week and many in the market think sideways or lower will be the next move for a currency that has been on the back foot for nearly five years. "We are on the sidelines now...but more inclined towards a weaker yen camp," said Vaibhav Loomba, head of FX and rates at financial services firm Klay Group in Singapore. "This is a market for lack of conviction trades."

### **THE TAKAICHI-TRUMP FACTOR**

Much of the yen's weakness can be linked to the Bank of Japan's caution in raising rates, which has in part been a response to the uncertainty unleashed by U.S. tariffs. More recently, Sanae Takaichi, who assumed office as prime minister in late October, has thrown some political pressure into the mix as she prefers to keep interest rates low while her administration ramps up spending to boost growth. "While her room for manoeuvre is very limited, the direction of travel is definitely less yen positive," said James Athey, a fixed income portfolio manager at Marlborough in London. "Meanwhile the BOJ continues to shoegaze, paralysed by fear and historical precedent." Japan has wrestled with deflation for decades and made its first interest rate hike in 17 years in 2024, but has moved the policy rate only to 0.5% lest the economic revival be snuffed out. Markets are now simultaneously dialling back bets on both U.S. interest rate cuts and Japanese interest rate hikes in the future, leaving a gap of more than 300 basis points between policy rates and the Japanese currency vulnerable to further losses. "We are actually thinking that dollar/yen can further go higher," said Chandresh Jain, emerging market Asia rates and FX strategist at BNP Paribas, who is using options to bet the yen can weaken past 155 per dollar in the next few weeks.

### **CARRY ON**

The U.S. government shutdown had halted the collection of public positioning data since September so it's not clear if the market has flipped to a net short yen position, but that's the direction of travel. The most recently available figures, from late September, showed longs had more than halved since hitting a record in April. A net long yen position began building at the start of the year that by April had swelled to a record, according to CFTC data stretching back to 1986. That has now more than halved. A net long yen position began building at the start of the year that by April had swelled to a record, according to CFTC data stretching back to 1986. That has now more than halved. Options pricing also suggests that Jain's position is becoming more popular. The three-month dollar/yen implied volatility, a measure of the cost of options contracts, has fallen to its lowest in over a year, reflecting low demand for protection against yen strength.

"Speculative yen short positioning does not appear large at this stage, and we see room for short positions to build from here," said Hirofumi Suzuki, chief FX strategist at SMBC. To be sure, Japanese rates do seem to be heading higher and U.S. rates lower, a fundamental shift that has a few brave investors keeping faith in the yen. But with broader financial markets in an expansive mood and volatility low, it's "really time for many investors to focus on carry," according to Yujiro Goto, head of FX strategy for Japan at Nomura, a strategy of profiting from interest rate gaps. That means selling yen. "Our year-end forecast (for dollar/yen) remains at 155 but the risk of an overshoot to 160 in 4Q25 has risen," said Shusuke Yamada, Bank of America's FX and rates strategist.