

Indian rupee recently corrected to the levels of 90 and what market think of RBI.

1). REER which measures the real value of currency value adjusted of inflation. In Nov 2024 it was at 108% was artificially strong for multiple years, today it's at 97% which is undervalued. For the first time Indian exports have become competitive at global stage.

2) Rupee depreciated against Dollar by 2.8% every year since 2000, and since 2020 it's at 3.3% averaged out yearly. In short term it looks steep depreciation but in long term scale its a pretty normal drift.

3). Global picture, FII pulled out roughly 17billion dollars from Indian Markets this year, US INDIA trade deal stuck with tariff threats looming and US Dollar is still holding strong because US Interest rate at band of 4-5%.

All the three forces are pushing the rupee down at same time. In such situation if RBI tries to defend the Rupee levels by selling its Dollar reserves, they would loose twice. Firstly because of drained dollars and secondly by keeping the Rupee artificially strong, which hurts exports and growth.

Real story is not of Rupee collapse, it's finally RBI has stopped over protecting the Rupee and letting the currency do its job.