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Forex Market Insights

Newsletter

Volume 185 → 1st Dec 2025 to 5th Dec 2025

Welcome

Dear Members,

The U.S. dollar surged this week as resilient labor data slashed Fed rate-cut odds. Softer global conditions weighed on major peers.

GBPUSD fell to 1.3109 on cooling UK inflation (3.6%), rising BoE cut bets, and pre-budget uncertainty; EURUSD dropped toward 1.15 amid soft Eurozone inflation, slowing manufacturing, and ECB inaction despite upgraded 2025 growth; USDJPY climbed to 156.38 (touching 157.89) as ¥20T stimulus delayed BoJ hikes despite 3% inflation; USDINR hit a lifetime low near 89.53 on $16.5B FPI outflows, U.S. tariff pain, and RBI easing defense.

Looking ahead, dollar strength should persist absent sharp U.S. data weakness. GBPUSD, EURUSD, and USDINR stay vulnerable to risk-off flows, while USDJPY risks intervention near 160 unless BoJ shifts hawkish.

Thank you

CONTENTS

Key Takeaway Summaries

₹ INR

India's GDP has grown at a robust 8.2% in the second quarter of the financial year - a number that beats all estimates by economists and even the RBI.

€ EUR

Inflation continued to cool, manufacturing activity slowed a bit, and the services sector remained steady.

£ GBP

U.K. inflation for October eased to 3.6%, the first drop since May, increasing expectations that the Bank of England may move toward a rate cut.

¥ JPY

Prime Minister Sanae Takaichi prepares a ¥20 trillion stimulus package.

₹ INR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
5.50 %	1.7%	0.25%	5.2%	$ -41.68 B

Events to WATCH

Dec 01, 10:30
S&P Global Manufacturing PMI (Nov)

Dec 01, 16:00
Industrial Production (YoY)(Oct)

Dec 03, 10:30
S&P Global Services PMI(Nov)

Dec 05, 10:00
Interest Rate Decision

Dec 05, 17:00
FX Reserves, USD

The rupee closed the week at 89.4575 against the U.S. dollar, with weakness largely driven by month-end dollar demand and a widening goods trade deficit, keeping it just shy of its record low of 89.53. India's merchandise trade deficit also touched a record high in October, driven by a sharp jump in gold imports and weaker exports to the U.S. after the 50% tariff imposition, adding pressure on the currency. Despite the dollar index slipping below the 100 mark, it had no major impact on the rupee. The dollar index eased mainly after a sharp rise in Fed rate-cut expectations for the December 2025 meeting, driven by dovish signals from policymakers, speculation about a more dovish candidate being considered for the next Fed Chair, and softer-than-expected U.S. retail sales and CB consumer confidence data.

In the near term, USDINR is expected to stay slightly elevated, as external cues continue to dominate overall sentiment. While the softer dollar index offers some interim relief, a wider trade deficit, and cautious global risk appetite may continue to exert mild pressure on the rupee. However, India's stronger-than-expected GDP print, jumping from an estimate of 7.3% to 8.2%, provides a supportive domestic backdrop. The robust growth outlook could help improve foreign investor sentiment and limit excessive depreciation. A sharper pullback in USDINR may materialize if FPI inflows pick up alongside clearer signs of a dovish shift in U.S. policy.

$ USD

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4.00%	3.8%	3%	4.4%	$ -59.55 B

Events to WATCH

Dec 01, 20:15
S&P Global Manufacturing PMI (Nov)

Dec 02, 20:30
JOLTS Job Openings (Sep)

Dec 03, 18:45
ADP Nonfarm Employment Change (Nov)

Dec 03, 20:15
S&P Global Services PMI (Nov)

Dec 03, 21:00
Crude Oil Inventories

Dec 04, 19:00
Initial Jobless Claims

After touching a new all-time high of 89.53 last week, the USDINR pair eased slightly and spent most of the recent sessions trading within a narrow 89.15 to 89.30 band. The dollar index, which had remained largely subdued due to rising expectations of a U.S. rate cut, declined further by 0.72% this week and slipped back below the 100 mark. Despite this mild dollar softness, the USDINR pair continues to hold a bullish undertone on the daily chart.

The current structure still suggests a positive bias, though a brief dip below the 89.00 level cannot be ruled out in the coming sessions. The RBI has clarified that its intervention will focus on managing excessive volatility rather than defending specific price points, which implies that the pair may continue to move freely within broader ranges. On the downside, the 88.80 zone remains the initial support level, aligning with the 21-day SMA, while a further decline could bring the pair toward the 88.50 region, where the 50-day SMA also provides support. On the upside, the recent peak of 89.53 continues to serve as the major resistance.

Hedging guidance remains largely unchanged, as the broader market structure has not seen any significant shifts. Importers are advised to wait for dips and take advantage of lower levels whenever available, while exporters may continue hedging near the all-time high zone, maintaining a conservative hedge ratio of around 30–40% to preserve profitability while retaining some open position for potential further upside.

€ EUR

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
2.15%	0.2%	2.1%	6.3%	€ 19.438 B

Events to WATCH

Dec 02, 15:30
CPI (YoY) (Nov)

Dec 02, 15:30
CPI (MoM) (Nov)

Dec 02, 15:30
Unemployment Rate (Oct)

Dec 03, 14:30
HCOB Eurozone Composite PMI (Nov)

Dec 05, 15:30
GDP (QoQ) (Q3)

The EURUSD pair ended the week near 1.1596 after recovering from lows around 1.1510, mainly supported by a sharp dovish shift in U.S. rate expectations. Weaker U.S. data including soft retail sales, lower consumer confidence, and mild inflation increased the chances of a 25-bps Fed rate cut in December to about 85%, putting pressure on the dollar and lifting the euro. In the Eurozone, economic data was mixed. Germany's retail sales fell by 0.3% in October, showing weak domestic demand, while the unemployment rate stayed unchanged at 6.3%, suggesting a steady but fragile labor market. Inflation across the region remained uneven, but a slight improvement in consumer confidence and the ECB's firm stance against near-term rate cuts helped support the euro. Looking ahead, EURUSD will remain driven by upcoming U.S. data and how it shapes Fed expectations, with any further decline in U.S. yields likely reducing dollar appeal. Positive geopolitical developments, including progress toward a Russia-Ukraine peace framework, could also lift sentiment and support the euro in the near term.

The EURUSD pair continues to trade sideways, keeping the intraday bias largely neutral. The downward-sloping trendline indicates that upside momentum is losing steam, suggesting the potential for a further pullback as long as the 1.1620 resistance—aligned with the 50-day EMA—remains unbroken. On the downside, the 1.1500 level serves as the initial support, and a decisive break below this zone could open the way toward the next support around 1.1431, where the 200-day SMA is positioned. However, the broader outlook could shift depending on the Federal Reserve's guidance at the upcoming December meeting. Should the Fed signal additional rate cuts or adopt a more dovish tone, the EURUSD pair may gain upward traction, with the 1.1800 psychological level emerging as a potential upside target.

£ GBP

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
4%	0.1%	3.6%	5%	£ -1.094 B

Events to WATCH

Dec 02, 12:30
Nationwide HPI (YoY) (Nov)

Dec 03, 15:00
S&P Global Composite PMI (Nov)

Dec 04, 15:00
S&P Global Construction PMI (Nov)

The GBPUSD pair strengthened this week, reaching a high of 1.3268, the strongest level since 29 October, before closing at 1.3225, supported by a weaker U.S. dollar as markets increasingly priced in potential easing from the Fed amid softer U.S. economic data and cooling inflation. Expectations for a possible December Fed rate cut rose sharply, weighing on the dollar and allowing the pound to gain. In the UK, Chancellor Reeves' Autumn Budget reinforced fiscal discipline, introducing £26 billion in new taxes alongside a larger-than-expected £22 billion fiscal buffer outlined by the Office for Budget Responsibility, which bolstered investor confidence in sterling despite concerns over slower growth and higher tax burdens. Overall, improved global risk sentiment and reduced safe-haven demand for the dollar supported GBPUSD throughout the week. Looking ahead, the pair may continue to benefit from market relief following the Autumn Budget, as much of the fiscal news appears to have been priced in, while concerns over the higher tax burden and slower UK growth could limit further upside, keeping gains measured in the near term.

Sterling ended the week on a weaker note, marking its second consecutive weekly decline and touching a two-week low of 1.3037. The pair closed below the prior week's level, highlighting persistent downside pressure. The MACD is edging toward a potential bearish crossover near the zero line, reinforcing a neutral-to-bearish bias if confirmed. On the upside, initial resistance is expected near the 50-day EMA just below 1.3200, with a break above this zone opening the path toward the 200-day EMA around 1.3257. Immediate support is seen near 1.3050, aligned with recent lows. From a hedging perspective, importers may consider covering exposures around 1.3050, while exporters could look to increase hedge ratios on moves above 1.3300. Overall, the technical setup suggests a cautious tone, with the pound vulnerable to further weakness unless key resistance levels are reclaimed.

¥ JPY

REPO RATE	GDP	INFLATION	UNEMPLOYMENT	TRADE BALANCE
0.5%	-0.4%	3.0%	2.6%	¥ -232B

Events to WATCH

Dec 01, 06:00
au Jibun Bank Manufacturing PMI (Nov)

Dec 02, 09:05
10-Year JGB Auction

Dec 03, 06:00
au Jibun Bank Services PMI (Nov)

Dec 05, 5:00
Household Spending (MoM) (Oct)

USDJPY pair ended the week on lower at 156.12 as the yen got strength on strong domestic signals, while the dollar lost its strength due to weak US data. This move came in after Tokyo’s core CPI made an upside tick, keeping the inflation above the BOJ’s target & bringing back the expectations for possible December Rate hike. This movement in sentiments supported the yen by end of the week. On US side, economy showed mixed pictures as retail sales were weaker & producer price rose slightly, though the weekly jobless claims improved showing some labour market stability, but several feds officials signaled possibilities of December rate cut which limited the dollar strength. With Japan showing firmer inflation trends and US leaning slightly dovish, USDJPY pair traded lower by the week . In near term, the pair may stay under pressure unless upcoming US data strengths or BOJ commentary turns less hawkish, keeping attention on next set of inflation readings and centeral bank guidance.

USDJPY began the week at 154.37, with the yen briefly weakening to a ten-month low of 157.89 as the dollar firmed on renewed confidence following the U.S. government’s reopening and Fed minutes that signalled a cautious stance, reducing the likelihood of a December rate cut. The yen remains on the defensive, with expectations of near-term BoJ tightening fading after the Prime Minister indicated support for a slower pace of hikes. Technically, immediate support is seen at 155, a former resistance level, while the medium-term unfilled gap between 149.00 and 147.81 remains a potential downside magnet. A sustained break above 158 would strengthen bullish momentum and open the door toward the 160 region, last year’s high where the BoJ intervened. On the downside, supports are located at 155 (S1) and 152 (S2). Overall, the broader trend stays bullish, though near-term volatility is expected as markets track BoJ cues and shifting U.S. rate expectations. Importers may consider hedging around 158 (near the recent resistance), while exporters can look to enhance their hedge ratios if the pair breaks below the 155 mark.

Is Your Business Prepared for the Next Big Currency Swing?

Currency fluctuations can be a significant source of risk for businesses, especially those involved in international trade. The recent global events, such as tariffs, geopolitical tensions, and economic policies, have triggered sharp swings in currency values, creating potential havoc for companies that are unprepared. Whether it's a sudden devaluation or an unexpected currency appreciation, unhedged exposures can disrupt pricing, contracts, and profitability in an instant. Is your business ready for the next big currency swing? In this blog, we'll explore how businesses can ensure they are prepared for any volatility ahead.

Recent Global Events That Triggered Sharp Currency Movements

In recent years, global events have caused significant volatility in currency markets. Here are some examples:

US-China Trade Tariffs

The trade war between the US and China sent shockwaves through the forex markets. When the US imposed tariffs on Chinese goods, the Chinese Yuan (CNY) depreciated sharply.

India-Pakistan Conflict

The tensions between India and Pakistan have further complicated currency movements, especially concerning the Indian Rupee (INR). Geopolitical instability can affect investor sentiment, influencing the value of currencies tied to these nations, and creating potential risks for businesses in those markets.

Geopolitical Tensions and Crises

Tensions in the Middle East or sudden regime changes often lead to currency volatility, especially in emerging market currencies. The 2020 tensions between the US and Iran led to an immediate spike in oil prices, which impacted the value of currencies tied to commodity exports, like the Russian Ruble and the Saudi Riyal. These swings significantly impacted companies operating in these regions or reliant on oil imports.

The Role of Stress Testing and Scenario Planning in Assessing FX Preparedness

Stress testing and scenario planning are the most effective ways to prepare for currency swings. These techniques help businesses understand the potential impact of currency fluctuations on their operations and financial health.

Stress Testing involves simulating extreme, yet plausible, currency movements and assessing how these scenarios could affect your business. By stress testing, businesses can better understand their vulnerabilities and decide on appropriate hedging or risk management strategies.

Scenario Planning takes stress testing a step further by considering a range of possible future events. Rather than focusing on a single, worst-case scenario, scenario planning prepares businesses for multiple potential outcomes—whether it's a sharp currency devaluation, a minor fluctuation, or a complete collapse in a currency's value. This approach allows businesses to devise strategies for each outcome, ensuring they can react quickly and appropriately no matter the scenario.

Conclusion

The global landscape is rife with unpredictability, and businesses that rely on international trade are always at risk from the next big currency swing. Whether triggered by tariffs, geopolitical tensions, or unforeseen global events, currency volatility can disrupt your business overnight if you aren't prepared.

Mobile Application: Features

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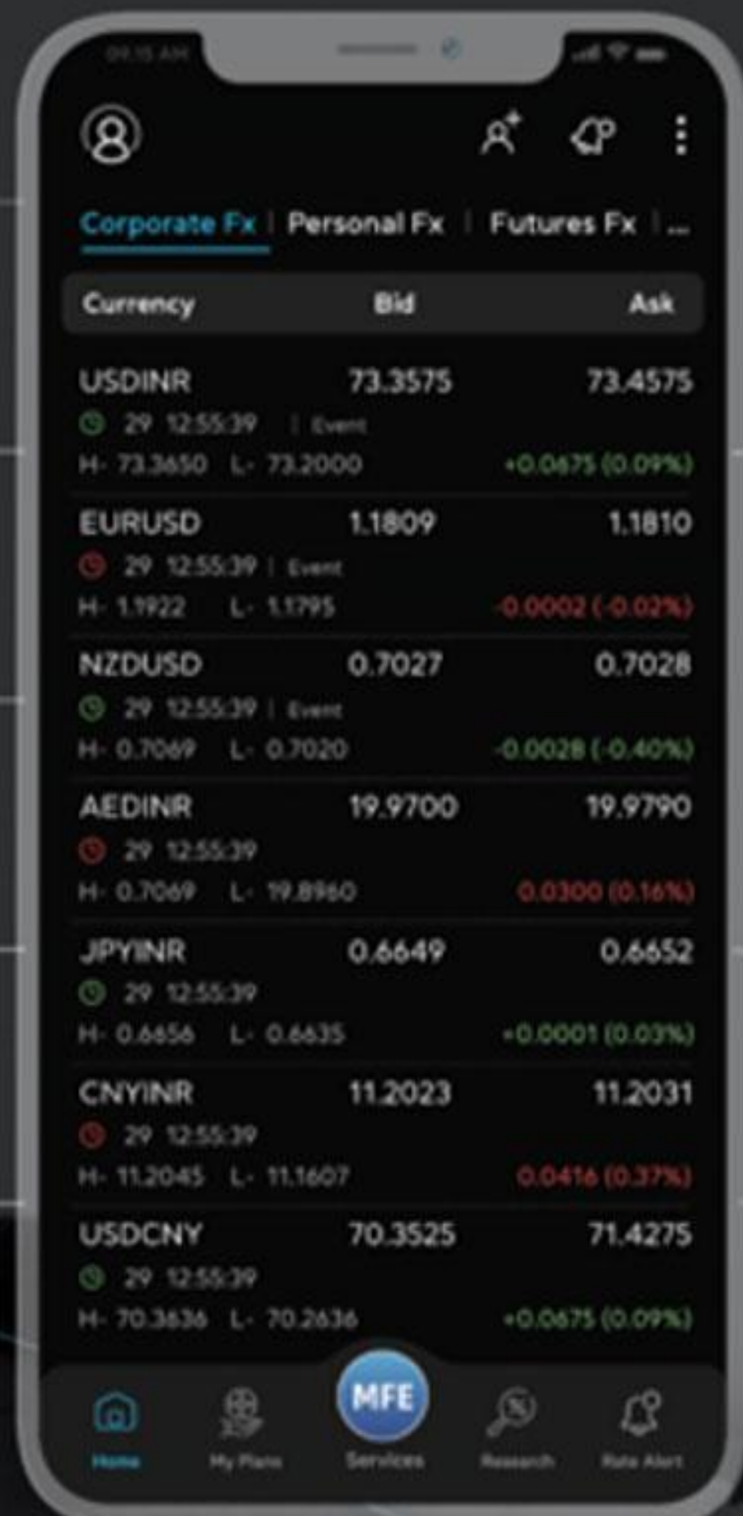

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