

Global Markets | Special FX

INR: Yet another Rupicon

FX Markets | Monthly Update | April 02, 2026

The USD rose through March on shocks from the Iran war, overcoming hawkish comments from other central banks, though came off at end of month on hopes for the war ending. Through this period, the INR was also allowed to weaken, with even a requirement for banks to square NDF arbitrage positions proving ineffective. We continue to see fiscal dominance as the main driver aftershocks, allowing weakness in both the USD and JPY, while the CNY might be about to become more interesting with some confrontation being seen absent a leadership summit. We also revise higher our INR targets given Mar closing levels.

Exhibit 1: Largely maintaining forecasts, mild adjustment to JPY

	INR	EUR	GBP	JPY	CNY
Sep'26	95.00-97.00	1.17-1.19	1.36-1.38	157-159	6.80-7.00
Dec'26	95.50-97.50	1.17-1.19	1.36-1.38	156-158	6.75-6.95
Mar'27	96.00-98.00	1.17-1.19	1.36-1.38	155-157	6.70-6.90
Jun'27	97.00-99.00	1.17-1.19	1.36-1.38	155-157	6.65-6.85
Sep'27	98.00-100.00	1.17-1.19	1.36-1.38	155-157	6.65-6.85
Dec'27	99.00-101.00	1.17-1.19	1.36-1.38	155-157	6.65-6.85
Mar'27	99.00-101.00	1.17-1.19	1.36-1.38	155-157	6.65-6.85
Jun'27	100.00-102.00	1.17-1.19	1.36-1.38	155-157	6.65-6.85

Source: Axis Bank Research

USD up on Iran war, INR weakens on fading intervention, continued outflow

The broad USD was bought early in the month with the shock from weekend attacks on Iran, and then with stronger US data on JOLTs and PCE inflation, and further bolstered by a more hawkish than expected FOMC. Hawkish comments from the ECB, BOE and BOJ tended to reverse the move, along with indications the US was looking for an off-ramp. However, apparent rejection by Iran of US proposals and a potential US escalation took the USD higher still. However, comments from US president Trump on leaving Iran in 2-3 weeks led to moves lower. After considerable INR defence, the RBI allowed significant depreciation. This did not halt despite a change in rules forcing banks to unwind NDF arbitrage positions (Figs 2-7)

Fiscal dominance the main global driver, unconventional INR measures possible

We continue to see US policy uncertainty being driven by domestic factors incentivising risk taking (Fig 8), and with the trade agenda all but limited by the earlier SCOTUS ruling. However, the USD has reclaimed its status as a geopolitical risk haven, rising in response to shocks. We continue to expect more limited barriers to fiscal dominance (Fig 9) at the US and Japan to drive currency weakness, while more rule-based policymaking in the ECB and BOE (Fig 10) allow for appreciation. Our CNY appreciation call has become consensus, but geopolitical developments might make the currency interesting again. On the INR, intervention could not stall depreciation (Fig 3), with even the change in rules forcing banks to unwind NDF arbitrage not bearing fruit – opening scope for more unconventional measures. Until fundamental problems are solved (Figs 11-13), weakness will continue

Continued INR depreciation, other global views largely held (Fig 1)

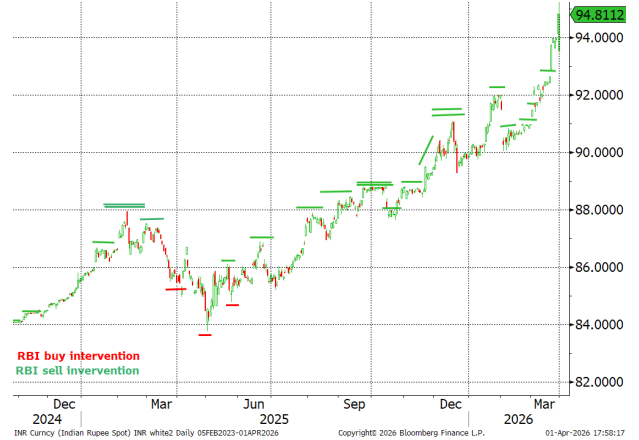
We noted earlier this month that end-Mar moves in the INR can be widely dispersed, with the rest of the year driven by these levels. With the INR weak at month-end, we update projections accordingly. Apart from this, we retain other projections, with the potential for a short-term move in JPY towards 170 before reversing.

Exhibit 2: USD spikes on Iran war, comes lower



Source: Bloomberg, Axis Bank Research

Exhibit 3: INR spikes after intervention fades



Source: Bloomberg, Axis Bank Research

Exhibit 4: EUR squarely in appreciation camp



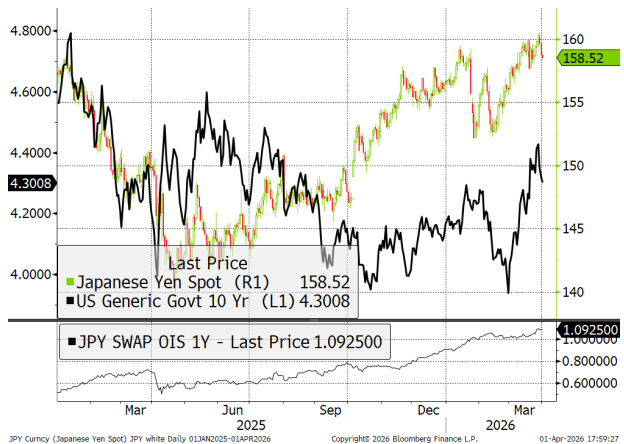
Source: Bloomberg, Axis Bank Research

Exhibit 5: As is GBP



Source: Bloomberg, Axis Bank Research

Exhibit 6: JPY at 160 with intervention absent



Source: Bloomberg, Axis Bank Research

Exhibit 7: China calling time on CNY appreciation

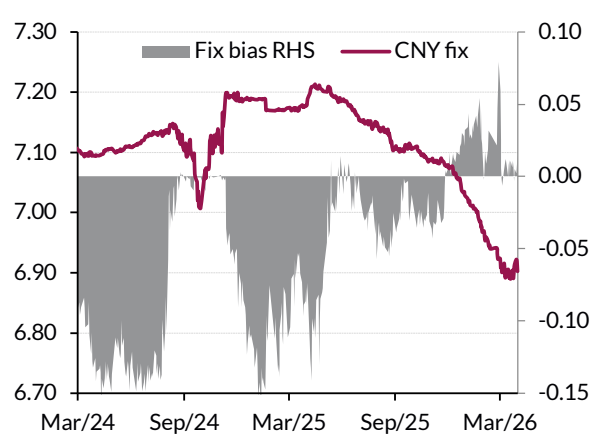
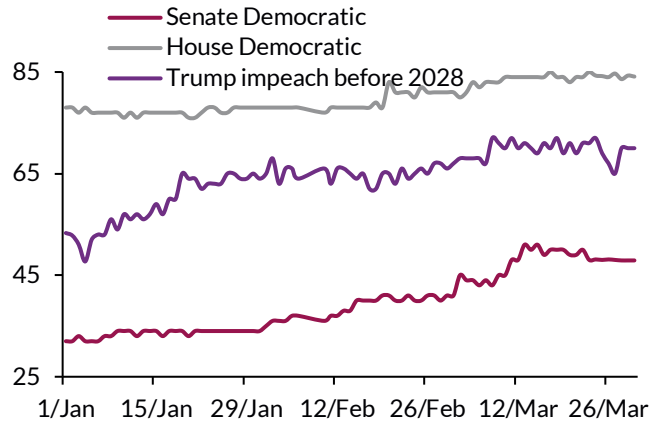
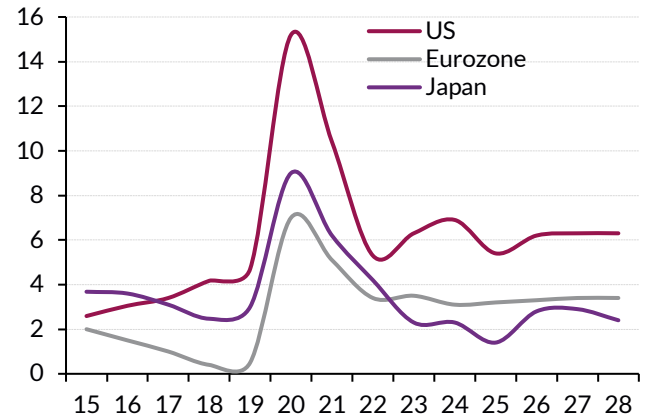


Exhibit 8: Prediction markets indicate midterms already lost, incentivizing risk-taking



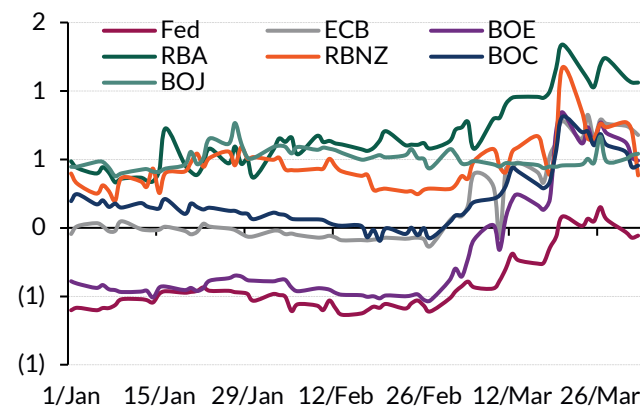
Source: Bloomberg, Axis Bank Research

Exhibit 9: At the same time, fiscal deficits ahead are larger than those behind



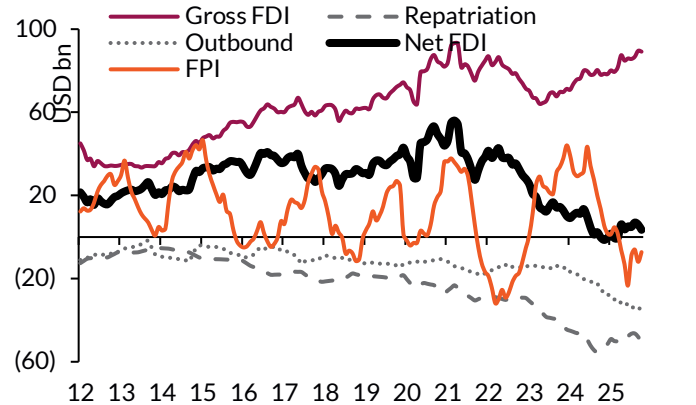
Source: Bloomberg, Axis Bank Research

Exhibit 10: Rules-based ECB and BOE policymaking in contrast to Fed/BOJ also helps weaken USD



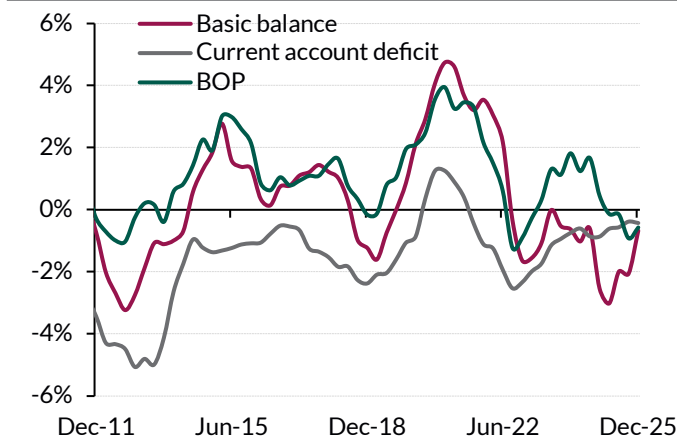
Source: Bloomberg, Axis Bank Research

Exhibit 11: India financial outflows continue, with net FDI zero and FPI negative



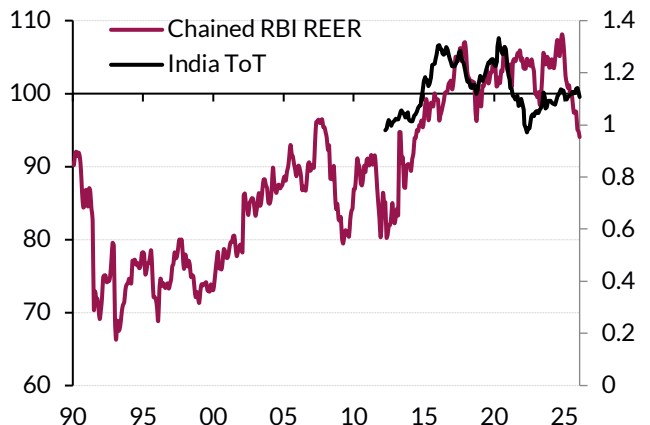
Source: Bloomberg, Axis Bank Research

Exhibit 12: India basic balance negative since 2022



Source: Bloomberg, Axis Bank Research

Exhibit 13: REER response to terms of trade shock also to be lower



Source: Bloomberg, Axis Bank Research

USD up on Iran war, INR weakens on fading intervention, continued outflow

The broad USD was bought early in the month with the shock from weekend attacks on Iran, and then with stronger US data on JOLTs and PCE inflation, and further bolstered by a more hawkish than expected FOMC. Hawkish comments from the ECB, BOE and BOJ tended to reverse the move, along with indications the US was looking for an off-ramp. However, apparent rejection by Iran of US proposals and a potential US escalation took the USD higher still. However, comments from US president Trump on leaving Iran in 2-3 weeks led to moves lower. After considerable INR defence, the RBI allowed significant depreciation. This did not halt despite a change in rules forcing banks to unwind NDF arbitrage positions.

Broad USD rises in first week with Iran war shocks

The broad USD opened March at 97.9910 with the EUR at 1.1783, GBP at 1.3463, the JPY at 156.04, the CNY at 6.8629, CNH at 6.8661, and INR at 92.0350. The opening was strong as markets digested US decapitation strikes of Iranian leadership over the weekend. The USD was quickly bid further with the US attacks on Iran with talk of production across countries impacted and the Straits of Hormuz closed. Comments from US president Trump directing the US DFC to provide political risk insurance paused the move, but this faded after a look at DFC financials made this unlikely. Higher crude oil prices led the USD back higher.

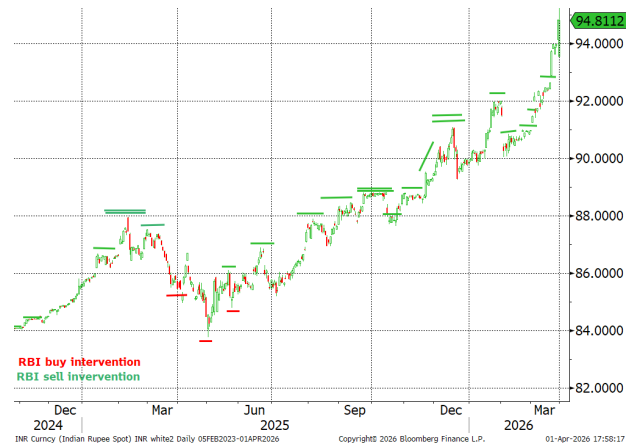
A pullback was seen after Japanese FM Katayama reminded markets that the US/Japan deal also contained clauses around intervention, as well as reports that Iranian agents had reached out to end the war. Moves down continued despite stronger US ISM PMI, with supply also as markets moved to price in ECB rate hikes and price out BOE rate cuts amid increased DMP inflation expectations. The last day of the week saw a rebound in the USD after Iraq and Qatar announced supply disruptions, and as comments by Japanese FM Katayama covered deflation. The week also saw RBI intervention limiting moves up in spot INR to 92.30, with a clear preference for the pair below 92.00. At the same time, the PBOC/SAFE did not strongly push back against CNY depreciation. The week closed with the broad USD at 98.8550, the EUR at 1.1618, the GBP at 1.3413, the JPY at 157.78, the CNY at 6.9044, the CNH at 6.9030 and the INR at 91.7450.

Exhibit 14: USD spikes on Iran war, comes lower



Source: Bloomberg, Axis Bank Research

Exhibit 15: INR spikes after intervention fades



Source: Bloomberg, Axis Bank Research

USD pullback reverses with stronger data and geopolitics

The second week saw the USD open higher again with risk aversion given weekend Iran developments around regional disruptions, and with intervention in JPY not forthcoming at expected levels. This was later limited with markets now pricing in BOE rate hikes, and with comments of coordinated crude oil reserve releases. Comments from US president Trump on the Iran war running ahead of objectives also pushed the USD lower, but reports of explosions in the Middle-East and halts to UAE energy activity led to a recovery. This was also helped by growing US fiscal concerns and moves up in crude oil on Straits of Hormuz fears. This continued despite a mild pullback on comments from ECB speakers around a rate hike being closer.

A warning from US intelligence agencies on Iran targeting the US West Coast also pushed the USD higher, Evacuation of an oil terminal by Qatar led to further demand, as did comments from Iranian supreme leader Khamenei on keeping the Straits of Hormuz closed, even after the Qatari terminal restarted. The last day of the week saw the USD come lower initially with news of an Indian ship passing through the Straits of Hormuz, though this news was later revised away. At the same time, stronger US data on JOLTs and PCE inflation led the USD back up into the weekend. The week also saw the RBI allow some further weakening in the INR, though intervention continued. The second week closed with the broad USD at 100.495, the EUR at 1.1417, the GBP at 1.3230, the JPY at 159.73, the CNY at 6.9037, the CNH at 6.9065 and the INR at 92.46.

USD comes lower in third week, with hawkish ECB and BOE overpowering hawkish Fed and geopolitics

The broad USD was lower with both the US and Iran seen looking for off-ramps given weekend statements, along with hopes of the US being able to form a coalition to reopen the Straits of Hormuz. However, a divided RBA vote led markets to push back on rate hikes, leading the USD to stabilise, along with the JPY with continued absence of intervention. Sharply weaker German ZEW data also provided support, but the weaker reading on US ADP payrolls – showing the first impact of concerns of a lengthening war – brought the USD lower still. Some support came in at this point with US president Trump indicating he was not yet ready to leave Iran, though this saw fresh supply with the BOJ retaining a hawkish bias and indicated potential for an Apr rate hike. The FOMC also emphasised uncertainty and indicated a prolonged hold, bringing the USD higher – though hawkish language from the ECB (where chatter implied an Apr hike) and the BOE (no dissents for a cut for the first time in years, hawkish comments) led the USD back down sharply. The last day of the week saw the USD bought as positions were squared amid higher oil prices. The third week closed with the broad USD at 99.5030, with the EUR at 1.1572, the GBP at 1.3341, the JPY at 159.23, the CNY at 6.9036, the CNH at 6.9060 and the INR at 93.7150 – with the RBI allowing rapid depreciation in the week.

Exhibit 16: EUR squarely in appreciation camp



Source: Bloomberg, Axis Bank Research

Exhibit 17: As is GBP



Source: Bloomberg, Axis Bank Research

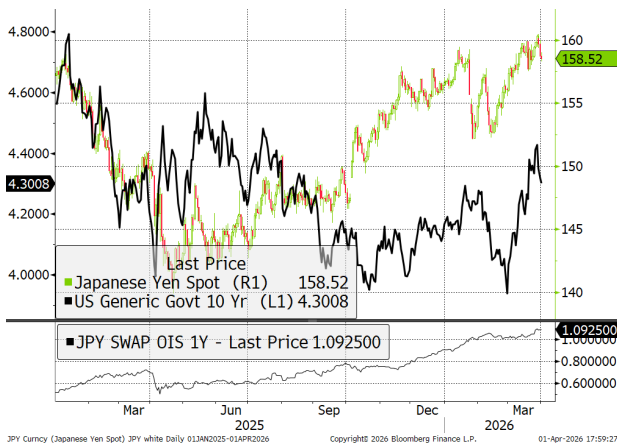
USD rebounds after Iran off-ramp search fails

The fourth week of March saw the USD open higher with risk aversion, but came lower after US president Trump spoke of having productive conversations with Iran – which the latter denied – with reports also of a plan for a 1 month ceasefire for negotiation. Markets see this as the US looking for an off-ramp from the war. However, Iran rejected these offers and indicated continued fighting, with an attack on an Iranian nuclear energy facility also brought back risk aversion, providing the USD continued support midweek. The last 2 days of the week saw the USD rebound, with increasing evidence that Iranians were not looking for an off-ramp, and with continued strikes and attacks in the Middle East. The last day of the week also saw the INR weaken sharply as RBI intervention faded. The fourth week closed with the broad USD at 99.5030, the EUR at 1.1572, the GBP at 1.3341, the JPY at 159.22, the CNY at 6.9036, the CNH at 6.9067 and the INR at 94.8200.

End of war optimism sees USD come off, INR NOP gambit does not achieve objectives (yet)

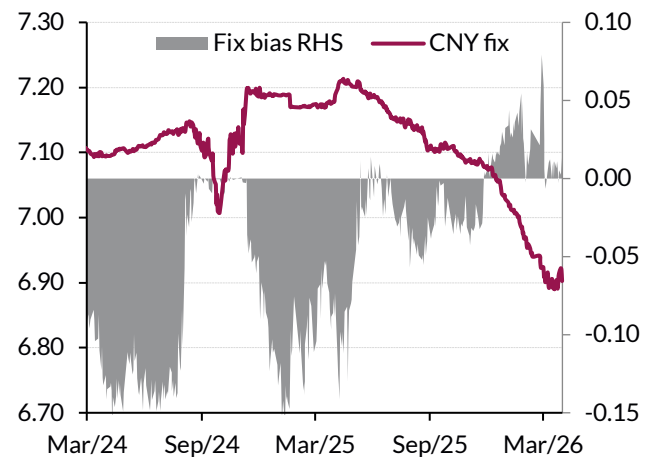
The last week saw the USD open higher with weekend strikes in the Middle-East, However, some reversal was seen after US president Trump indicated negotiations with Iran had proceeded well over the weekend, and later with indications the US was preparing to leave Iran in 2-3 233ks. The INR was sharply stronger after the RBI required banks to square onshore positions relating to NDF arbitrage trades, estimated at around USD 40 bn. However, this met strong demand from the RBI itself looking to close its short positions, with demand at levels higher than where it had initially sold – driving panic among importers and driving all-round buying. The USD closed March at 99.4529, with the EUR at 1.1544, the GBP at 1.3238, the JPY at 158.86, the CNY at 6.8963, the CNH at 6.8906, and the INR at 94.8350.

Exhibit 18: JPY at 160 with intervention absent



Source: Bloomberg, Axis Bank Research

Exhibit 19: China calling time on CNY appreciation



Source: Bloomberg, Axis Bank Research

Fiscal dominance the main driver aftershocks, bar to unconventional INR measures lower

We continue to see US policy uncertainty being driven by domestic factors incentivising risk taking, and with the trade agenda all but limited by the earlier SCOTUS ruling. However, the USD has reclaimed its status as a geopolitical risk haven, rising in response to shocks. We continue to expect more limited barriers to fiscal dominance at the US and Japan to drive currency weakness, while more rule-based policymaking in the ECB and BOE allow for appreciation. Our CNY appreciation call has become consensus, but geopolitical developments might make the currency interesting again. On the INR, intervention could not stall depreciation, with even the change in rules forcing banks to unwind NDF arbitrage not bearing fruit – opening scope for more unconventional measures.

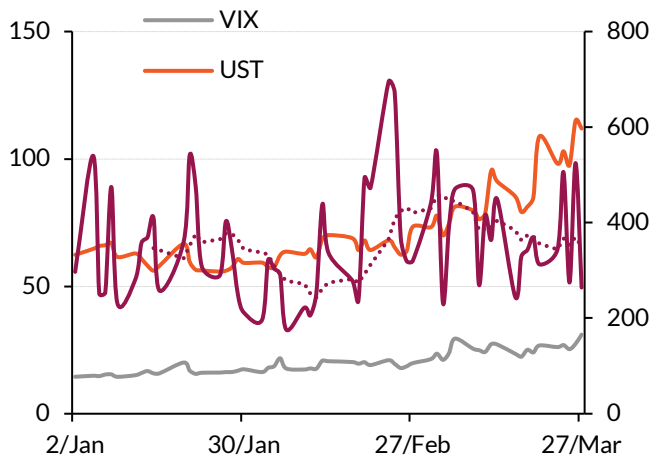
US policy uncertainty driven by domestic as well as global factors

We wrote last month about the SCOTUS ruling on applicability of IEEPA tariffs and falling popularity of US president Trump at home driving appetite for risk-taking. We were of the opinion that this would be around trade, but instead a geopolitical route appears to have been taken. The Iran adventure has been ongoing for a month, with the US unable to leave without clearing a power vacuum that might result in it losing influence in the Middle-East and in energy markets. This has driven market speculation of boots on the ground, matching troops being transported to the region, with comments around the search for a ceasefire evaluated as buying time for troops to be in position rather than genuine intent. With risk-taking continued to be incentivised, uncertainty is likely to prevail going ahead, resulting in multi-dimensional shocks across economies.

USD regresses to role as safe-haven supplanting even gold

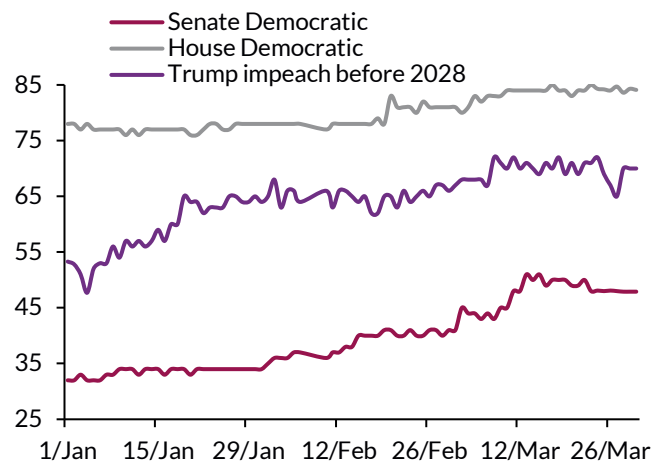
The Sell-America trade driven by US-related uncertainty has now faded, giving way to risk-aversion episodes leading to rapid increases in the USD. This is partly driven by pricing out of Fed rate cuts and pricing in of rate hikes, though also offset by increase in rate hike expectations at the ECB, BOE and BOJ among others. Another possible driver of USD demand is the liquidation of gold and a home country bias among investors, given

Exhibit 20: Volatility rises with US uncertainty



Source: Bloomberg, Axis Bank Research

Exhibit 21: Prediction markets – midterms already lost



Source: Bloomberg, Axis Bank Research

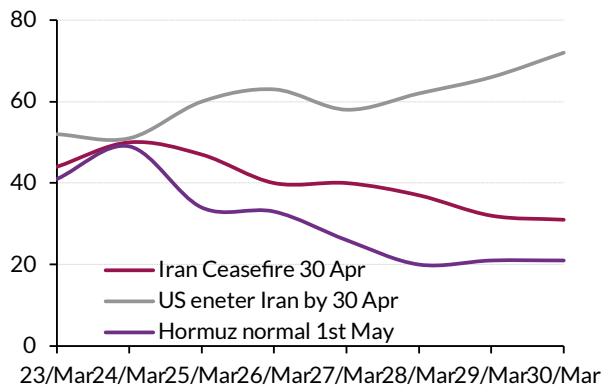
expectations of higher fiscal spending and increases in treasury yields. As long as risk impulses are fresh, the USD will continue to be bought – though over time, as predictability ensues or the cycle of escalatory shocks fades, underlying fundamentals will likely reassert themselves.

Longer term, fiscal dominance likely to remain a major driver

We have for long been writing that increased geopolitical uncertainty and competition, coupled by easing of barriers towards increased fiscal spending will likely bring back fiscal dominance. This weakens now-traditional inflation targeting, with economies that are more able to carry out fiscal dominance the ones likely to see currencies weaken. This was true of the US during the Cold War, culminating in the breakdown of the Bretton Woods system, and the link of hard assets to currencies has also been suspended in past wars.

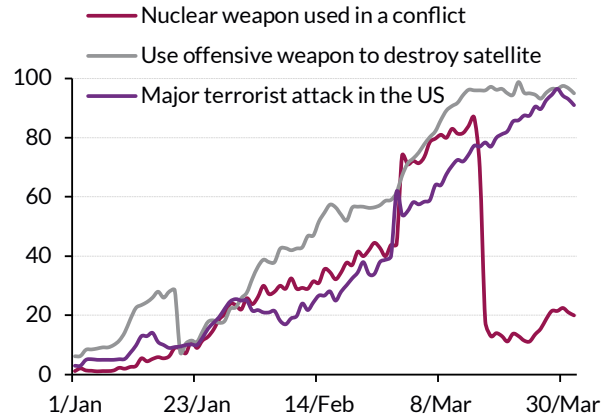
As with previous arguments, we see the US and Japan most able to carry out fiscal dominance, with developments in Japan already representing a form of action here. In the US, appointment of new Fed chair Warsh is now unlikely to see rate cuts – but the question is around the reaction function were hikes to begin to be justified. Presence of US president Trump, and advancement by the Senate Banking Committee are also issues –

Exhibit 22: Markets are betting on a longer war



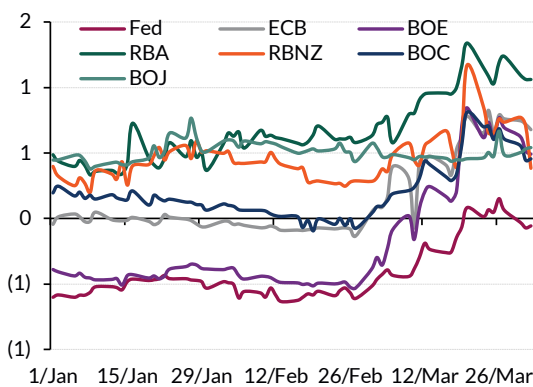
Source: Bloomberg, Axis Bank Research

Exhibit 23: Tail risks are also rising



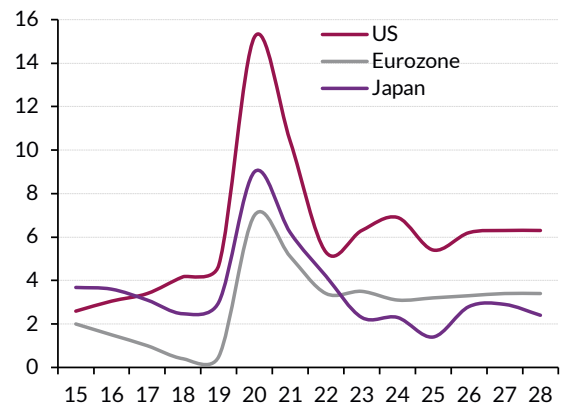
Source: Bloomberg, Axis Bank Research

Exhibit 24: Markets now see rate hikes – expected moves from 1 Jan levels



Source: Bloomberg, Axis Bank Research

Exhibit 25: Fiscal deficits decidedly higher than in the past – is fiscal dominance coming?



Source: Bloomberg, Axis Bank Research

the former is uncertain for a long period following comments of incapacity, loss of support among allied politicians, probabilities of impeachment, etc. while the latter depends on political machinations and delays the appointment of Mr. Warsh – effectively keeping current chair Powell in place as protem chair.

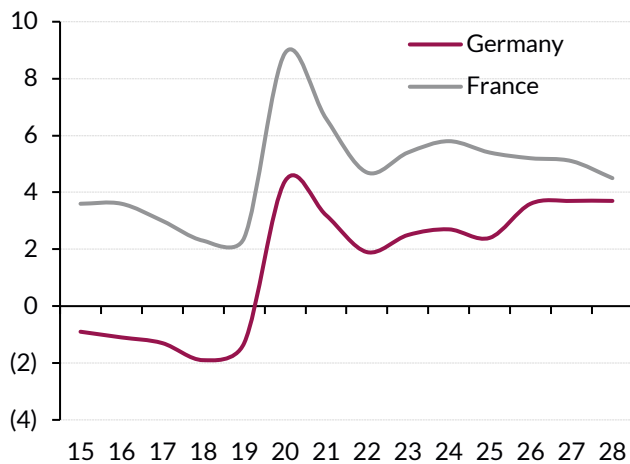
In contrast, the Eurozone and the UK are unlikely to be able to push through fiscal dominance – the former because of complicated voting patterns and the many political tradeoffs amid considerable judicial activism, and the latter owing to domestic politics.

Eurozone: Outlook remains profoundly political

There are a number of political developments being watched for. The EU parliament has voted in favour of the US trade deal, removing one source of uncertainty for now – though fresh US threats could once again bring concerns about the EU’s anti-coercion instrument being used. At the same time, the aid to Ukraine is held up by the Hungarian election, with current Hungarian PM Orban holding back assent until Russian gas flows through a pipeline are restored – with many politicians including US president Trump endorsing Mr. Orban’s re-election. Prediction markets currently do not price this in, but these have been wrong before. Holding back aid can lead to a problem where Ukrainian funding dries up and pressure national budgets. There has at the same time an Italian referendum which PM Meloni’s favoured outcome lost, with a large turnout indicating dissatisfaction from the point of view of the next election. In France, attention is once again turning to the future of the presidency, with fears of a Le Pen victory not yet gone. Lastly, fears around heavy fiscal German spending are not yet gone, with it possible that a cool-off in geopolitical stress or political unpopularity of national leaders brings an about-face. Apart from domestic politics, the question also is of how energy price shocks will be handled, and if the EU takes a part in reopening the Straits of Hormuz.

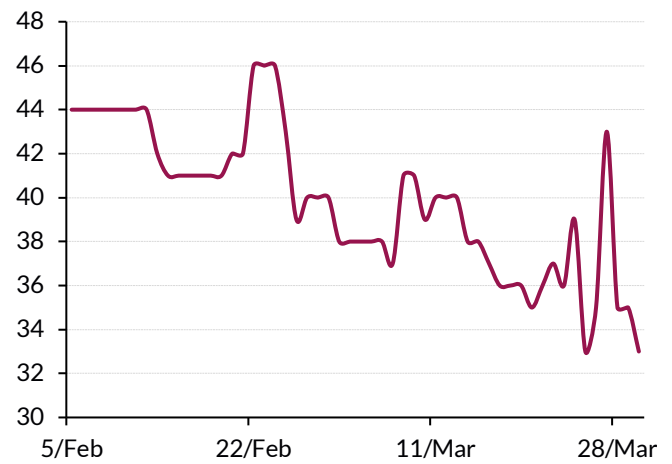
All these developments take place in a year where the new president of the ECB has still not been nominated, and with the ECB itself having a strong and ironclad mandate around inflation. This had led the ECB to hike rates in 2011 at the time of the Eurozone debt crisis given inflation fears, moves which eventually had to be reversed using exceptionally adroit moves by ECB president Draghi. We therefore keep our base case of some EUR appreciation once shocks from geopolitics are past.

Exhibit 26: Note risks from expected German fisc, if politics forces spending down again



Source: Bloomberg, Axis Bank Research

Exhibit 27: Prediction market probability of Orban returning in Hungary – change can drive spending



Source: CBP, Axis Bank Research

UK: Domestic politics and BOE the greatest drivers

For a short while this year, the BOE MPC looked as though it was looking to cut rates 50-75 bps in calendar 2026, with split voting and fading comments around inflation persistence. Potential for this has now evaporated, with the latest BOE hold unanimous, and language around acting without hesitation strong. Markets now price in 50-75 bps hikes from the BOE this year, despite weak conditions on growth and fresh needs for fiscal tightening – given very high fiscal spending numbers for Feb driven by interest costs.

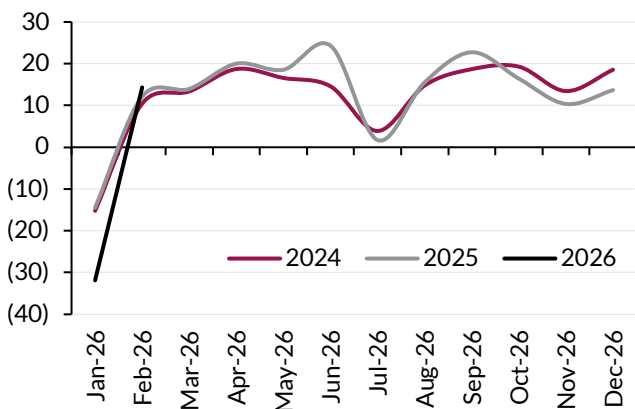
These developments come with UK PM Starmer increasingly seen being ousted by his own party: local elections coming in May are seen as one driver of his removal, especially if Labour is seen losing popularity in key strongholds. With this, the path for leaders more popular with Labour grassroots – Andy Burnham and Wes Streeting open up. Former Deputy PM Raynor, forced to leave after a scandal, is also a potential face, and is currently the front-runner. All these candidates are more pro-EU and more left leaning than Mr. Starmer, and on their own would be unable to win a national election. However, with them winning internal contests, the potential for the UK to shift closer to the EU, along with attendant benefits in terms of productivity and stable capital flows are a positive for the GBP adding on to BOE hawkishness. Until this time, markets will probably need to navigate near-term uncertainty in the GBP.

Japan: Upside to JPY opens up with MOF unable or unwilling to intervene

The BOJ was recently hawkish in its comments, but continues to draw a flak from political leadership, who prefer to use fiscal measures to suppress and mask inflation rather than rate hikes to curb demand. We have written in the past that rate hikes would lead to a sharp increase in interest expenditure, making such a move an illogical choice and eating into fiscal flexibility. We were fearful of intervention limiting weakness but there has so far not been a repeat of Fed rate checks of earlier in the year (with later developments indicating that these were at the initiative of the US and not Japan), while on its own, Japan might not have the ammunition to intervene long and forcefully enough to keep the JPY under control.

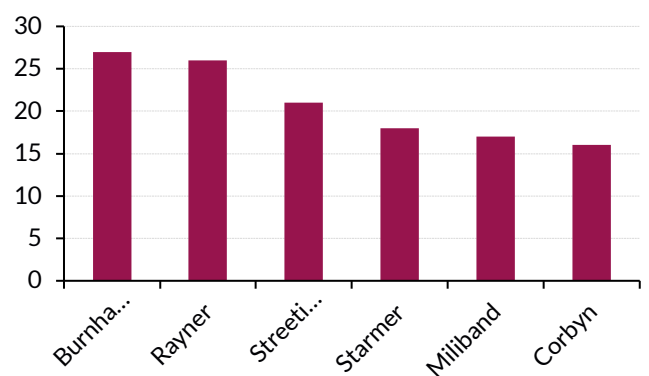
Longer term, return of Japanese savings from elsewhere do provide a cap to spot JPY, as does pressure from the US side for Japan to countenance rate hikes rather than fiscal easing. However, in the near term, bonhomie with US president Trump will likely limit pressures, allowing the JPY to weaken further before it strengthens on longer term flows

Exhibit 28: UK public sector net borrowing shows sharp increase in Feb on interest payments



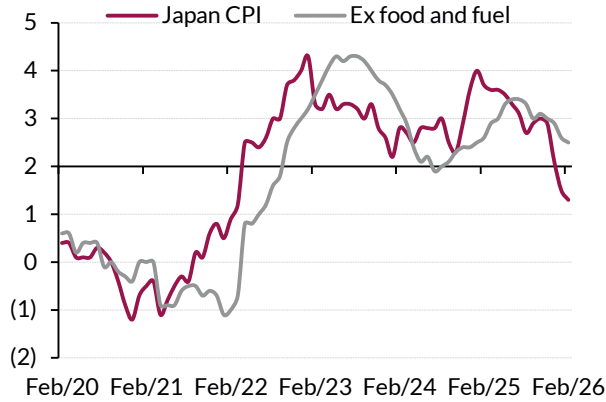
Source: Bloomberg, Axis Bank Research

Exhibit 29: PM Starmer is unpopular – others are more pro-EU and can bring a policy change



Source: Bloomberg, Axis Bank Research

Exhibit 30: Japanese inflation suppressed by food subsidies, core still high



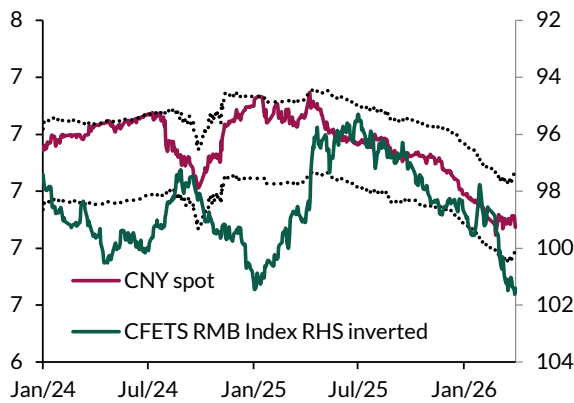
Source: Bloomberg, Axis Bank Research

Exhibit 31: Or government interest costs as a percent of GDP can balloon



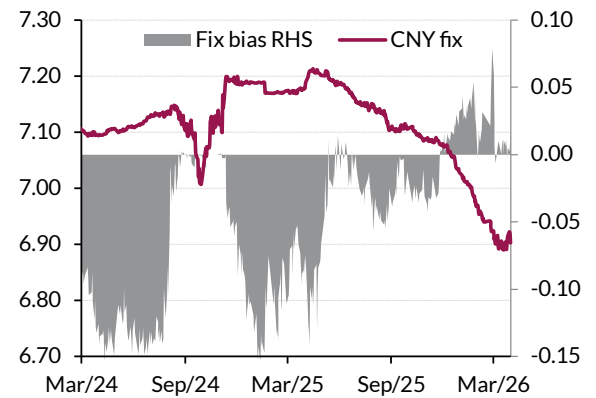
Source: Bloomberg, Axis Bank Research

Exhibit 32: CNY with bands – the PBOC has encouraged rapid appreciation until now



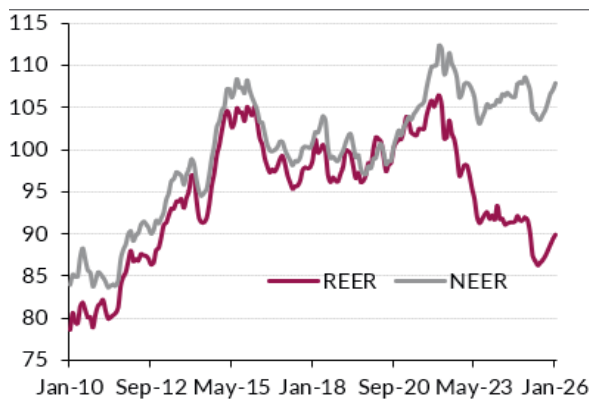
Source: Bloomberg, Axis Bank Research

Exhibit 33: PBOC pushing back on appreciation



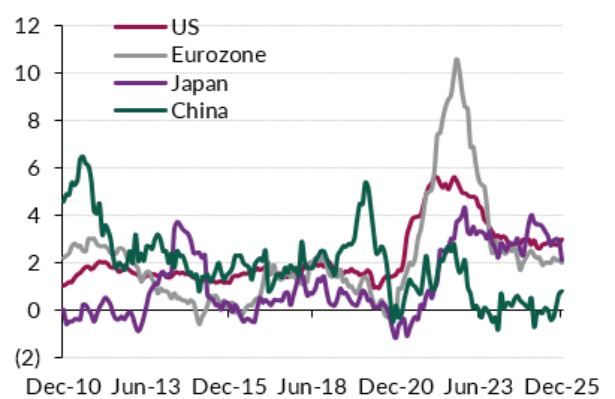
Source: Bloomberg, Axis Bank Research

Exhibit 34: China REER has weakened, NEER appreciation compensating



Source: Bloomberg, Axis Bank Research

Exhibit 35: Unless Chinese inflation rises, this dynamic is going to remain



Source: Bloomberg, Axis Bank Research

CNY: Predictable path might be about to become interesting again

We were one of the first on the street to call for CNY appreciation to below 7.00, arguing that the Chinese preferred to signal a game of cooperation with escalation on the currency likely to be used much later in negotiations with the US. This was also driven by comments from PBOC governor Pan on wanting to be prepared for a future of multiple reserve currencies as has been the historical norm, and creating a track record of a stable or appreciating currency even during times of geopolitical uncertainty was seen as forming part of the reserve currency appeal. Lastly, we have argued over the past few months that the stronger CNY represents the government's preference for internal devaluation, through keeping growth low and limiting stimulus. This has led to low inflation and REER depreciation, with the NEER appreciation acting as a mirror to this.

However, developments might now be getting interesting once again. With US president Trump having postponed his summit with Chinese president Xi to May (and with the possibility of further postponement as well). At the same time, the war in Iran is seen as a direct hit to Chinese interests. With this, China has opened investigations into US trade practices, likely bringing up a confrontation on trade at some future point. These developments might push the currency to weaken at some point. However, the current situation is one of stability, with the PBOC/SAFE guiding the currency to trade around 6.90 over the past few days and weeks. Appreciation momentum is also being matched by increased liquidity and the threat of lower rates – these were also covered last month and are usually seen when policy authorities are uncomfortable with the pace of appreciation.

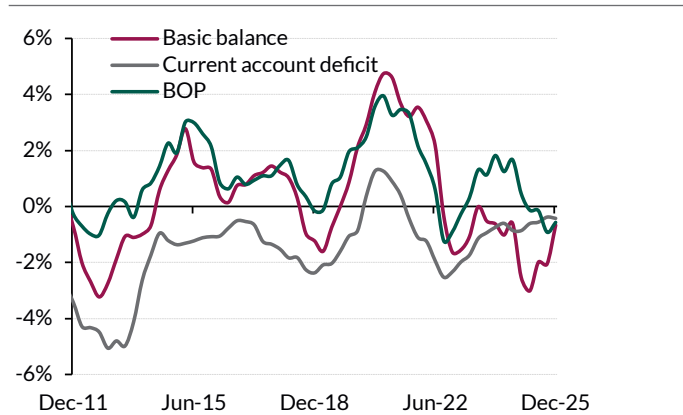
INR: The bar to unconventional measures might now be lower

We have for many months been writing about the weaker position on India's basic balance, with the move lower in global savings and lower India interest rates changing equilibrium capital flows. With this, even a small current account deficit has led to an overall BOP issue, with the basic balance negative since mid-2022. An old model of exchange rates the FEER, might be the correct one to look at – this implies that the currency is fair where it is stable, and lower equilibrium capital inflows mean a weaker fair value – which is seen in the REER steadily weakening to levels of before 2010 when global savings had not yet reached their peak.

The RBI has been defending the INR for months and quarters now, with no let-up in capital outflows – to be expected if this is truly a structural issue around FEER. Past cycles of INR defence have seen the RBI/MPC raise rates after long periods of intervention, and only then move to unconventional measures in the form of implicit and explicit capital controls. In the past, these have been around limiting LRS remittances, limiting gold imports, using tax policy to discourage FPI outflows, forcing exporters to convert EEFC accounts, and others dealing with liberalisation around NRI deposits and ECBs. Most memorable are the FCNR deposits which subsidised capital inflows.

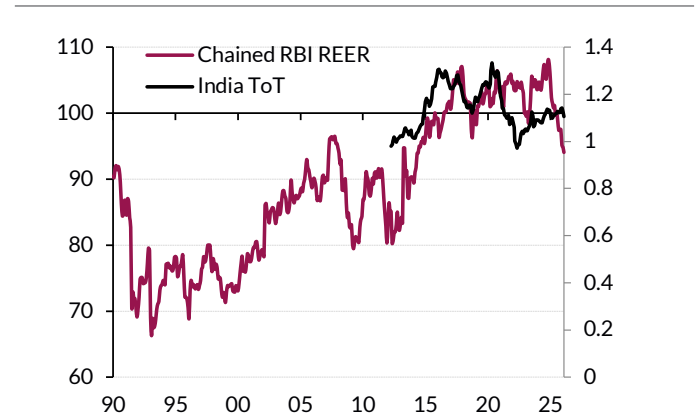
This week, the RBI changed rules around NOP of onshore deliverables, effectively forcing banks to square off NDF arbitrage positions – this was expected to lead to some near-term appreciation. While still early, the INR reversed appreciation on the first day itself, and is now back at levels of last week. While this was not a capital control in the technical sense, shift to action here might increase chances of future unconventional measures. Some that the RBI has not used before but are used elsewhere are regular USD repos, special reserve requirements on forward contracts, gold LOCO swaps to be able to use gold reserves, etc. The timing and scale of these is unknown, but we will remain watchful for these steps.

Exhibit 36: India basic balance negative since 2022



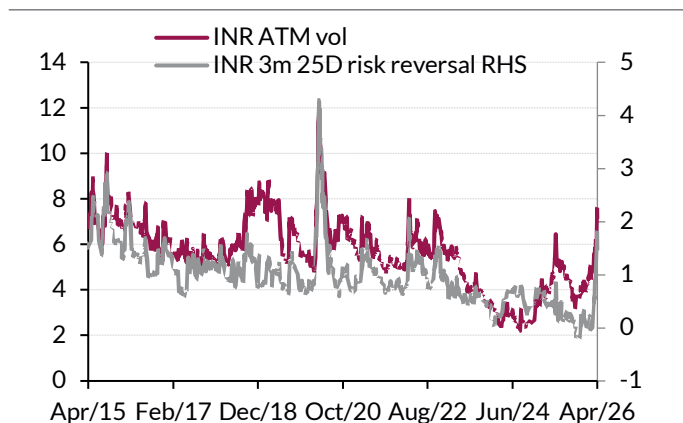
Source: Bloomberg, Axis Bank Research

Exhibit 37: REER response to terms of trade shock also to be lower



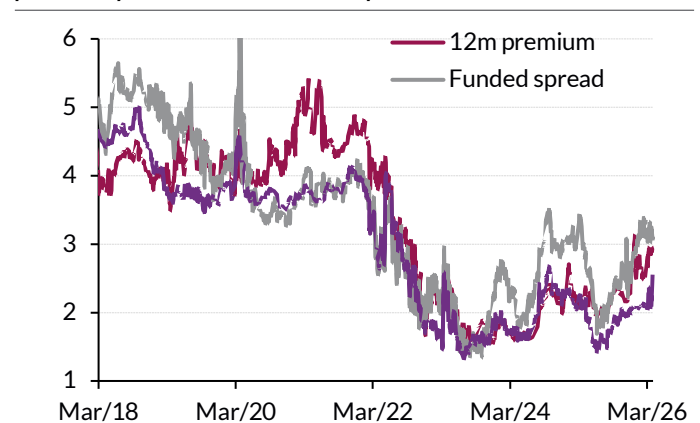
Source: Bloomberg, Axis Bank Research

Exhibit 38: Vols and other measures have normalized as intervention fades



Source: Bloomberg, Axis Bank Research

Exhibit 39: INR forwards are high despite RBI swaps, being pushed by FX rather than rate expectations



Source: Bloomberg, Axis Bank Research

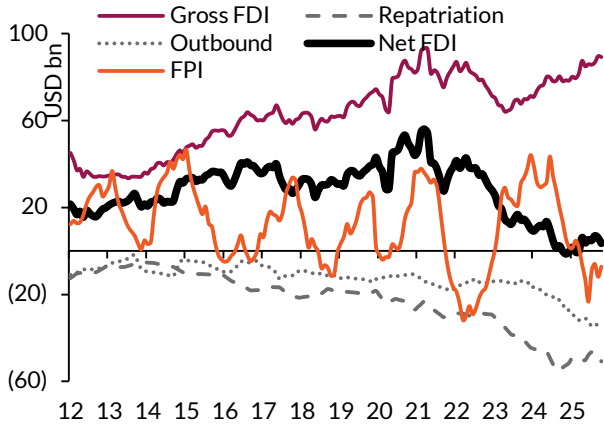
But the longer term issue remains unresolved

These actions might drive some near-term appreciation, but longer term financial outflows are likely to continue given the problem of low global savings and high Indian savings, coupled with low rates domestically. Unless these divergences are tacked, say through reducing savings (fiscal spending through lower taxes, higher subsidies, or household spending through higher petroleum prices), or through increased asset availability (monetisation pipeline, increased capex), or higher rates, the INR is likely to continue to weaken with savings flowing out.

Continued INR depreciation, other global views largely held

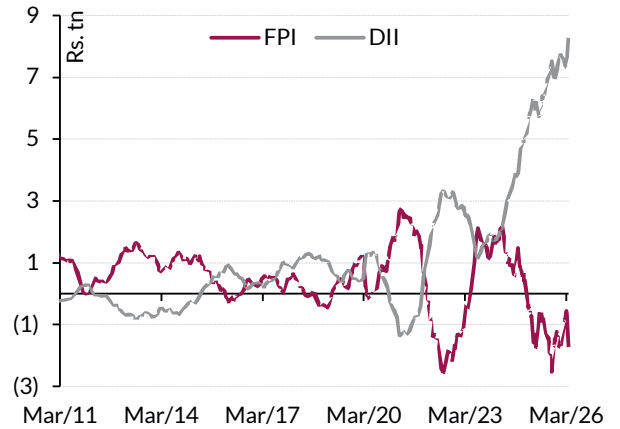
We noted earlier this month that end-Mar moves in the INR can be widely dispersed, with the rest of the year driven by these levels. With the INR weak at month-end, we update projections accordingly. Apart from this, we retain other projections, with the potential for a short-term move in JPY towards 170 before reversing.

Exhibit 40: Capital flows on a 12m rolling basis are negative



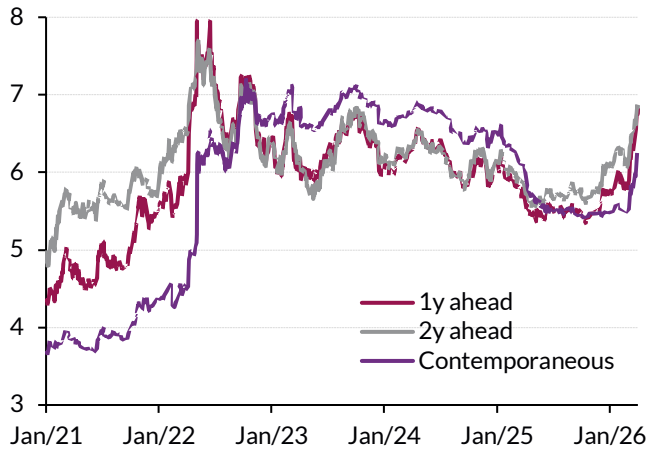
Source: Bloomberg, Axis Bank Research

Exhibit 41: Heavy DII buying (12m rolling) allows FPIs to exit



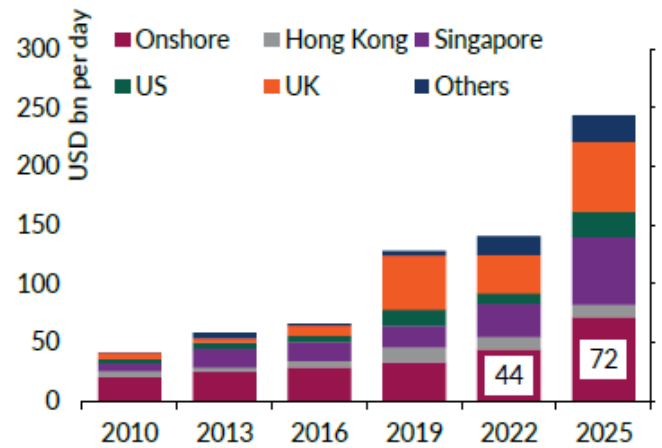
Source: Bloomberg, Axis Bank Research

Exhibit 42: INR OIS markets are now pricing in even sharper rate hikes ahead



Source: Bloomberg, Axis Bank Research

Exhibit 43: NDF market volumes are once again higher



Source: Bloomberg, Axis Bank Research

Disclaimer: The report and information contained herein is of confidential nature and meant only for the selected recipient and should not be altered in any way, transmitted to, copied, or distributed, in any manner and form, to any other person or to the media or reproduced in any form, without prior written approval of Axis Bank. The material in this document/report is based on facts, figures and information that are obtained from publicly available media or other sources believed to be reliable and hence considered true, correct, reliable and accurate but Axis Bank does not guarantee or represent (expressly or impliedly) that the same are true, correct, reliable and accurate, not misleading or as to its genuineness, fitness for the purpose intended and it should not be relied upon as such. The opinion expressed (including estimates, facts, figures and forecasts) is given as of the date of this document is subject to change without providing any prior notice of intimation. Axis Bank shall have the rights to make any kind of changes and alterations to this report/ information as may be required from time to time. However, Axis Bank is under no compulsion to maintain or keep the data/information updated. This report/document does not mean an offer or solicitation for dealing (purchase or sale) of any financial instrument or as an official confirmation of any transaction. Axis Bank or any of its affiliates/ group companies shall not be answerable or responsible in any way for any kind of loss or damage that may arise to any person due to any kind of error in the information contained in this document or otherwise. This document is provided for assistance only and should not be construed as the sole document to be relied upon for taking any kind of investment decision. The recipient is himself/herself fully responsible for the risks of any use made of this information. Each recipient of this document should make his/her own research, analysis and investigation as he/she deems fit and reliable to come at an independent evaluation of an investment in the securities of companies mentioned in this document (including the merits, demerits and risks involved), and should further take opinion of own consultants, advisors to determine the advantages and risks of such investment. The investment discussed or views expressed herein may not suit the requirements for all investors. Axis Bank and its group companies, affiliates, directors, and employees may: (a) from time to time, have long or short positions in, and deal (buy and/or sell the securities) thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn commission/brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The applicable Statutory Rules and Regulations may not allow the distribution of this document in certain jurisdictions, and persons who are in possession of this document, should inform themselves about and follow, any such restrictions. This report is not meant, directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would not be in conformation to the law, regulation or which would require Axis Bank and affiliates/ group companies to obtain any registration or licensing requirements within such jurisdiction. Neither Axis Bank nor any of its affiliates, group companies, directors, employees, agents or representatives shall be held responsible, liable for any kind of consequential damages whether direct, indirect, special or consequential including but not limited to lost revenue, lost profits, notional losses that may arise from or in connection with the use of the information. Prospective investors and others are cautioned and should be alert that any forward-looking statements are not predictions and may be subject to change without providing any notice. Past performance should not be considered as a reference to future performance. The disclosures of interest statements if any included in this document are provided only to enhance the transparency and should not be construed as confirmation of the views expressed in the report. The views expressed in this report reflect the personal views of the author of the report and do not reflect the views of Axis Bank or any of its associate and group companies about the subject company or companies and its or their securities.

Disclaimer for Singapore clients: This document is published by Axis Bank Limited, India ("Axis Bank") and is distributed in Singapore by Axis Bank. This document is not a research analysis or report concerning any investment product. This document does not provide or purports to provide individually tailored investment advice, commentary or opinion. The contents in this document have been prepared and are intended for general distribution strictly to accredited investor, expert investor or institutional investor. A recipient of this document shall not provide or circulate this document to any other person. The contents in this document do not take into account the specific investment objectives, financial situation, or particular needs of any particular person. The instruments and product types mentioned in this document may not be suitable for all investors. You should independently evaluate particular investments or product types and seek independent advice from a financial adviser regarding the suitability of such instruments or product types, taking into account your specific investment objectives, financial situation and particular needs, before making a commitment on any instruments or product types. This is because the appropriateness of a particular instrument or product type will depend on your individual circumstances and investment objectives, financial situation and particular needs. The instruments and product types mentioned in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Disclaimer for DIFC clients: Axis Bank Limited (DIFC branch) is duly licensed and regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority ("DFSA"). This document is intended for use only by Professional Clients (as defined in the Rule 2.3 of the Conduct of Business Module of the DFSA Rulebook) who satisfy the regulatory criteria set out in the DFSA Rules, and should not be relied upon, acted upon or distributed to any other person(s) other than the intended recipients