



# Data Taste Revealed

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## Economic Research Vertical: Canara Bank: Head Office

### Discussion

How DXY (Dollar Index) continues to dictate the fate of INR despite RBI Intervention?

### Data Source

\* [www.investing.com](http://www.investing.com) & \*\* [www.statista.com/statistics/](http://www.statista.com/statistics/)

### Reflections

- ✓ For First 3 months (Nov 2024 - Jan 2025), Dollar became strong (DXY rose from 105.86 to 108.64) where Rupee fell quickly from ₹84.38 to ₹86.26 and further slide to 87.02 in Feb-25.
- ✓ Next 3 months (Mar - May 2025), Dollar started falling fast (DXY dropped from 104.13 to 100.09) where Rupee recovered and reached its best level (₹85.19 in May).
- ✓ Last 5 months (Jun - Oct 2025), Dollar stayed weak but stopped falling much. Rupee again became weaker and reached ₹88.37 by October.
- ✓ The correlation co-efficient between Monthly Average of DXY Vs. USD/INR (Nov-24 to Nov-25) is (-) 0.44 which suggests that there is a significant negative correlation between both.
- ✓ In simple world, if Dollar becomes strong, it would make currency of emerging economies like India weaker due to several factors like import dependency, Signal to Investors etc.
- ✓ RBI intervention has tamed the volatility of Rupees but can't cure depreciation of rupees due to the structural weakness of Economy as well as external shocks like tariff, oil prices etc.

### DXY Vs USD/INR Vs RBI Intervention ( Movement Since Last One Year)

Month/Year	DXY * (Approx. Month. Average)	DXY % Variation over Previous Month	USD/INR ** (Approx. Month Average)	USD/INR % Variation over Previous Month	RBI Spot USD Sales *** (In Billion, Approx. Monthly)	Micro -Scanning
Nov-24	105.86	***	84.38	***	7.0	Early capital outflow starts. RBI Sells to Cap Slide. Mild Intervention
Dec-24	107.19	1.26	84.97	-0.70	15.1	Weaker Rupees Due to Strong Dollar, Modest Intervention by RBI
Jan-25	108.64	1.35	86.25	-1.48	60.28	DXY Surge. RBI Sells USD to Cap Slide. Massive Intervention by RBI
Feb-25	107.32	-1.22	87.02	-0.88	46.65	Defence By RBI continued ...
Mar-25	104.13	-2.97	86.61	0.47	27.16	Stronger rupees due to Weaker Dollar, Minimal Intervention by RBI
Apr-25	100.74	-3.26	85.56	1.23	11.77	
May-25	100.09	-0.65	85.19	0.43	7.30	
Jun-25	98.38	-1.71	85.92	-0.86	4.82	Mild Pressure on Rupee, Light Intervention by RBI
Jul-25	97.95	-0.44	86.17	-0.29	2.54	
Aug-25	98.26	0.32	87.53	-1.55	7.70	Although Dollar is stable, Sharp INR drop triggers action By RBI
Sep-25	97.69	-0.58	88.28	-0.85	10.11	Sale By RBI amid outflow capital.
Oct-25	98.76	1.10	88.38	-0.11	NO DATA	Weaker Rupees & Strong Dollar. Defensive Sale by RBI
Nov-25	99.72	1.0	88.84	-0.52	NO DATA	

Correlation Co-efficient Between Monthly Average of DXY Vs. USD/INR = (-) 0.44.

### Key Takeaway:

The DXY-USD/INR link is a textbook example of global-local interplay of currencies. A rising DXY pulls capital from India, weakens INR, and spikes import costs. A falling DXY eases pressure but doesn't guarantee INR strength if oil or outflows dominate still, despite intervention of Central Bank.

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