INDIAN ECONOMY 21 October 2026

Rupee Rises 46 Paise on India-US Trade Deal Hopes

The Indian rupee strengthened by 46 paise to 94.45 against the US dollar following optimism over a potential India-US trade agreement.

Foreign exchange market dynamics reflecting the fluctuation of the Indian rupee against the US dollar influenced by trade policies, crude oil prices, and central bank interventions.

KEY EXAM POINTS

- The Indian rupee strengthened 46 paise, or 0.44%, to **94.45** against the US dollar on Wednesday, **October 21, 2026**.
- Market sentiment was supported by optimism over a potential **India-US trade agreement** after US President **Donald Trump** indicated a deal could be announced soon.
- **Reserve Bank of India (RBI)** measures to regulate dollar purchases, including dedicated banking arrangements for oil marketing companies, supported the domestic currency.
- Elevated **Brent crude** prices trading above **$110** a barrel acted as a key headwind, limiting further appreciation of the rupee.
- India's current account deficit (CAD) has narrowed to around **0.5%** of gross domestic product (**GDP**), down from about 2.5% three years ago.

DID YOU KNOW..!?

The Reserve Bank of India (RBI) was established on **April 1, 1935**, under the Reserve Bank of India Act, 1934, on the recommendation of the **Hilton Young Commission**.

The **Foreign Exchange Management Act (FEMA)** was enacted in **1999**, replacing FERA, to facilitate external trade and payments in India.

Current Account Deficit (CAD) measures the difference between the value of imported goods, services, and transfers, and exported goods, services, and transfers.

India transitioned to a market-determined exchange rate system in **March 1993**, following the recommendations of the L. C. Gupta Committee and liberalization policies.

Monetary policy in India is regulated by the RBI through a six-member **Monetary Policy Committee (MPC)** constituted under Section 45ZB of the RBI Act, 1934.

India's **foreign exchange reserves** are managed by the Reserve Bank of India and comprise foreign currency assets, gold, special drawing rights (SDRs), and reserve position in the IMF.

REVISION FLASHCARD

The Indian rupee strengthened against the US dollar supported by RBI measures and trade deal optimism, while Brent crude prices capped further gains.

Syllabus Relevance: Highly relevant for Indian Economy (Unit 6) focusing on RBI functions, foreign exchange reserves, trade policies, and macroeconomic indicators.

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