Scenario tearsheet

What if the rupee breaks 100?

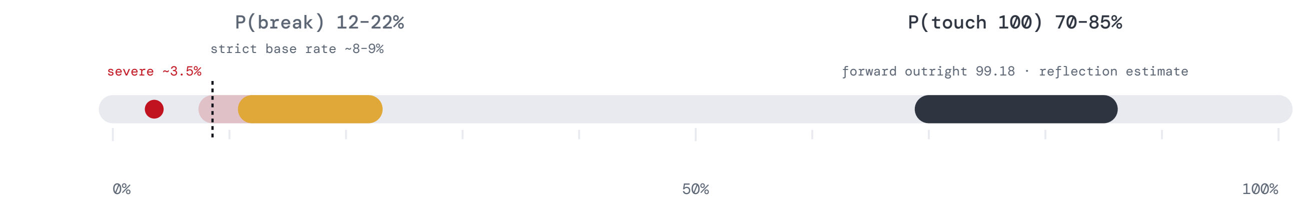
The rupee reaching 100 is the forward curve, not the scenario. The 12-month forward outright is 99.18, which makes touching 100 roughly a four-in-five event. What this prices is the one-in-six path where the rate arrives in a hurry, spends real ammunition getting there, and reprices hedging for every dollar borrower at once. **Conditional scenario analysis, not a forecast.**

ACTIVATION CONDITION — ALL THREE, INSIDE A ROLLING 12-MONTH WINDOW

1 · The RBI reference rate closes at or above 100.00 and holds 20+ consecutive sessions. **2 ·** The episode contains a fall of 6% or more inside a rolling three-month window, against a managed norm near 4% a year. **3 ·** Desk-adjusted reserves fall $50bn or more from the episode's start, or the RBI states publicly that it is smoothing volatility only.

Two probabilities on one ruler

IF unconditional, 12m



Forward premium 2.82% at 10 Jul 2026 ◐; touch band a desk reflection estimate at 4–7% assumed volatility ○; base rate from three speed-clearing episodes in 35 years ◐.

BRANCH	WHAT IS DIFFERENT ABOUT IT	PEAK	WEIGHT
Mild	The crawl resumes inside two quarters; inflation peaks near 6.0% and the RBI holds	100–103	~35%
Moderate	Premium reprices 150–250bp, a second deposit window at a higher coupon, RBI hikes 50–75bp into 6.7% growth	103–108	~45%
Severe	New channels: the near-tenor forward book cannot be rolled, deposit renewal turns the borrowed reserve build into an outflow, index money reverses, and flow measures are debated in public	108–115	~20%

THE POSITION

Do not hedge the level; the forward already sells it to you. At 5.5% assumed volatility a 12-month option struck at 106 returns 0.62 of its cost on these odds and only turns positive below roughly 4.9%. What is worth doing at any probability is the plain forward on money you will genuinely repatriate inside a year, at a 2.82% carry, and hedging the near tenor of an offshore book before the premium reprices.

Monitor

What to watch, and what to do

INDICATOR	READING TODAY	TRIGGER
12-month forward premium	2.82%	>4.30% · +148bp to go
3-month realised depreciation	~1.5% ○	>4% watch · >6% activation leg 2
RBI net short forward book	$106.6bn at 31 May, unwinding	fails below $75bn by Dec 2026, or above $110bn
Adjusted ammunition (desk series)	~$522bn against a $716.9bn headline ○	<$450bn
FCNR(B) system outstanding	$60.55bn from $32.56bn on 5 Jun	net redemptions in any month after the window
Hormuz throughput	4.9 mb/d against 21.6 pre-war	stays below 8 mb/d into Q4 2026
Brent, quarterly average	~$88, high of $105 on 23 Jul	>$100
Foreign debt flow, accessible route	record ₹55,518cr inflow in June	two consecutive months of net outflow
CPI, headline	4.38% in June; 5.9% projected for Q3	any print above 6.0%
Fed funds target	3.50–3.75%, three dissents to hike	any hike delivered
Real effective exchange rate	100.0 in April, from 108.14 in Nov 2024	below 95 · the break has overshot
Public issuance, rolling six months	~$5.8bn year to date	below $2.5bn

IF YOU ARE	NOW, 0–3 MONTHS
An allocator with dollar exposure	Cover the slice you will repatriate inside twelve months with plain forwards at 2.82%; leave the long-dated book alone
A GP mid-harvest	Restate live exits at 100 and 106 and send the difference to your investors before the market does
A corporate treasurer	Find out which maturities sit inside the unhedged 44% of the external borrowing book, and hedge the near tenor first
A policymaker	Publish an adjusted reserve position before someone else constructs it

THE OBJECTION THAT STANDS

The real effective exchange rate is 100.0, down from a record 108.14 in November 2024, and the governor states publicly that the rupee is undervalued. On the only valuation measure with theory behind it there is nothing left to correct, so a break would be an overshoot, and overshoots mean-revert. The desk has no answer beyond noting that 2013 and 2022 also began from a real rate near fair value. It is carried unresolved.

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