

KEY HEADLINES:

The Indian rupee spot against the US dollar ended sharply lower to mark worst day fall over a month on Monday, mainly due to strong dollar demand from importer banks, weak China Yuan & Asian peers, continue outflow concern after fall in domestic equity market and minor pull back in dollar index after last week fall makes rupee under check. However, likely central bank intervention keep rupee away from sharp fall.

The rupee at NSE Future 26 Mar-25. ended down by 41 paise at 87.46 against previous close of 87.05 and after make low of 87.16 and high of 87.48.

In an interview on Sunday, Trump declined to predict whether the U.S. could face a recession amid stock market concerns about his tariff actions on Mexico, Canada and China. The dollar index has fallen more than 3% in March so far. U.S. tariffs of 25% on imports of steel and aluminium will take effect on Wednesday.

India's central bank said on Wednesday it will infuse \$21 billion in rupee liquidity into the banking system in a bid to ease lending conditions and boost economic growth. The Reserve Bank of India (RBI) "will continue to monitor evolving liquidity and market conditions and take measures as appropriate to ensure orderly liquidity conditions," it said in a press release. As part of the measures, the RBI will conduct two open market operations, totalling one trillion rupees (\$11.50 billion) on March 12 and March 18. It will also conduct a dollar-rupee buy-sell swap worth \$10 billion on March 24, the central bank said. Indian banks' liquidity deficit stood at 204.2 billion rupees as on March 4, the lowest level since December 15.

Reciprocal U.S. trade tariffs proposed by President are unlikely to have a significant negative bearing on the rupee, the head of global foreign exchange at Jefferies said. Analysts reckon the levies may hamper exports such as petrochemicals and pharmaceuticals, which make up about one-fifth of India's exports to the U.S. India charged a weighted average tariff of about 11% in 2023, around 8.2 percentage points higher than U.S. tariffs on Indian exports, according to estimates from Citi.

The U.S. dollar weakened against the Japanese yen and the Swiss franc on Monday as markets grappled with trade tensions over tariffs and a probable U.S. economic slow-down, while the euro pared gains from last week.

The dollar weakened 0.76% to 146.91 against the Japanese yen after trading as low as 146.625 on the session, its lowest since early October last year. Against the Swiss franc ,

the dollar weakened 0.06% to 0.879 - hitting its lowest level since early December. The euro was 0.03% higher against the dollar at \$1.083350 but hovered near its four-month high.

On currency futures markets, investors have slashed net long dollar positions to \$15.3 billion from a nine-year high of \$35.2 billion in January.

Markets are currently pricing in 75 bps of rate cuts from the U.S. Federal Reserve by the end of the year, with expectations for a cut of at least 25 bps not topping 50% until the June meeting. Money markets now price in around 67 basis points of further BoE easing by the end of the year. And Markets are now pricing in roughly another 37 basis points worth of increases by December from Bank of Japan.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
JOLTS Job Openings				

Support Resistance Levels – Currency Future: (NSE CUR - 26 Mar 25)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.46	86.90	86.20	87.75	88.30	SIDEWAYS
EURINR FUTURE	94.90	94.0	93.40	95.10	96.0	BULLISH
GBPINR FUTURE	112.89	111.85	110.80	113.0	113.80	BULLISH
JPYINR FUTURE	59.40	58.95	58.30	59.50	60.10	BULLISH

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