

**KEY HEADLINES:**

The Indian rupee spot against the US dollar end higher on Tuesday, thanks to fall in dollar index towards early Nov last year low & bond yield near 6-month low added by gain in Asian peers and likely central bank intervention to prevent rupee from sharp fall. However, continue outflow concern after fall in domestic equity market and growth concern along with reciprocal tariff threat keep rupee under check at every high.

The rupee at NSE Future 26 Mar-25. ended gain by 15 paise at 87.31 against previous close of 87.46 and after make low of 87.27 and high of 87.51. Asian currencies rose, with the offshore Chinese yuan leading gains, up 0.4% on the day. Meanwhile, dollar-rupee forward premiums gained, with the 1-year implied yield rising as much as 4 basis points to 2.20%, aided by a decline in U.S. bond yields.

India's central bank said last week, 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 rose to a 1-week high against the Canadian dollar on Tuesday after U.S President hit Canada with more tariffs, while the euro hit a new 4-month peak against the U.S. currency on hopes of a German defence spending deal.

Trump doubled his planned tariff on all steel and aluminum products imported from Canada to 50%, in response to Ontario applying a 25% tariff on electricity sent to the U.S.

The dollar index, which measures the greenback against a basket of currencies including the yen and the euro, was on track for its seventh straight loss. It fell 0.42% to 103.41. The U.S. dollar rose to as high as C\$1.4521 against the Canadian dollar, its highest level since March 4. It was last up 0.17% to C\$1.4457.

The euro rose to as high as \$1.09305, its highest since November. It was last up 0.89% and has gained more than 4% this month as Germany acts to ramp up defence spending. The dollar weakened 0.08% to 0.88010 against the Swiss franc. Against the Japanese yen, the dollar strengthened 0.18% to 147.53. The greenback has lost more than 2% against both currencies so far in March.

Markets are currently pricing in 85 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
CPI m/m	USD	0.3%	0.5%	HIGH
Overnight Rate	CAD	2.75%	3.00%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.31	86.90	86.20	87.75	88.30	SIDEWAYS
EURINR FUTURE	95.10	94.55	94.0	95.40	96.0	BULLISH
GBPINR FUTURE	112.80	111.85	110.80	113.0	113.80	BULLISH
JPYINR FUTURE	59.04	58.95	58.30	59.60	60.10	BULLISH

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