

KEY HEADLINES:

The Indian rupee spot against the US dollar ended almost flat on Wednesday, due to on one side pressure seen from recovery in dollar index & weak Asian peers while other side support seen from dollar sales from importer banks amid global uncertainty and likely central bank intervention. However, continue outflow concern after fall in domestic equity market and growth concern along with reciprocal tariff threat keep rupee under check at every gain.

The rupee at NSE Future 26 Mar-25. ended flat by 1 paise at 87.32 against previous close of 87.31 and after make low of 87.26 and high of 87.39. Asian currencies were down 0.1% to 0.4% as investors remained gripped by uncertainties surrounding global trade and growth from constant changes in U.S. tariff plans.

India's retail inflation fell below 4% in February for the first time in six months mainly due to a decline in vegetable prices, giving the central bank room to cut rates further in coming meetings. Annual retail inflation in February eased to 3.61%, below expectations of 3.98% and the lowest since July. Inflation for January was revised to 4.26% from 4.31%. Core inflation, which excludes volatile items such as food and energy and is a better gauge of domestic demand, rose slightly to 3.9% to 4% in February from 3.7% in the previous month, according to two economists.

India's industrial output in January outpaced expectations, powered by strong manufacturing and mining activity, government data showed on Wednesday. Industrial output in January grew 5% year-on-year, against the 3.5% growth expected by Reuters and the 3.2% growth in December. Industrial output last grew at nearly 5% in November.

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 edged higher against major currencies including the yen and the euro on Wednesday as data showed a slowdown in inflation although simmering trade tensions will continue to weigh on markets.

In the latest episode, Trump vowed to respond to the European Union's threat to impose counter tariffs on 26 billion euros (\$28 billion) worth of U.S. goods from next month after Trump implemented blanket tariffs on steel and aluminium imports.

On Wednesday, US Labor Department data showed a less than expected increase in U.S. consumer prices to 0.2% last month, compared with the average forecast of 0.3% by Reuters.

The dollar index , rose 0.14% to 103.59. It is on track to snap seven straight sessions of losses. The dollar strengthened 0.37% to 148.31 yen against the Japanese yen . Against the Swiss franc , the dollar weakened 0.06% to 0.882 after giving up gains in early trade. The euro was trading down 0.26% at \$1.0889. The currency has gained nearly 5% against the U.S. dollar so far in March.

The Bank of Canada trimmed its key policy rate by 25 basis points to 2.75% and warned of "a new crisis" as it tried to prepare the country's economy for the damage that US President tariffs could wreak. The U.S. dollar weakened against the Canadian dollar, trading down 0.44% to C\$1.4370 per dollar. It is down 0.66% against the loonie 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
PPI m/m	USD	0.3%	0.4%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.32	86.90	86.20	87.75	88.30	SIDEWAYS
EURINR FUTURE	95.26	94.55	94.0	95.40	96.0	BULLISH
GBPINR FUTURE	112.97	111.85	110.80	113.10	114.0	BULLISH
JPYINR FUTURE	58.90	58.85	58.30	59.60	60.10	SIDEWAYS

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