

KEY HEADLINES:

The Indian rupee spot against the US dollar end higher on Tuesday, tracking gain in Asian peers amid fall in dollar index amid flip flow in US tariff policies, while sharp rally in equity after some relief news from Reciprocal tariff, makes scenario positive for rupee on inflows expectations.

The rupee at NSE Future 28 April-25. ended sharply higher by 34 paise at 85.86 against previous close of 86.20 and after make low of 85.67 and high of 86.20.

Over the weekend, the U.S. removed smartphones and other electronics from its tariffs on China. However, President Donald Trump's comments suggested the reprieve will likely be short-lived, leaving the markets uncertain about the long-term direction of trade tensions. This uncertainty has piled pressure on the U.S. currency, with the dollar index down more than 4% over a month.

U.S. Fed Governor Christopher Waller said on Monday the U.S. tariff policies are a major shock to the economy that could lead the Fed to cut rates to head off a recession even if inflation remains high.

India is likely to see above-average monsoon rains for the second straight year in 2025, the government said on Tuesday, raising expectations of higher farm and economic growth in Asia's third-biggest economy. The monsoon, which usually arrives over the southern tip of Kerala state around June 1 and retreats in mid-September, is expected to reach 105% of the long-term average this year, M. Ravichandran, secretary in the Ministry of Earth Sciences, told a news conference. The India Meteorological Department defines average or normal rainfall as ranging between 96% and 104% of a 50-year average of 87 cm (35 inches) for the four-month season.

Indian government bond prices jumped to over three-year highs on Tuesday, led by short-end gains after the Reserve Bank of India announced yet another liquidity injection. continued durable liquidity injections this year, following the central bank's latest move and guidance on banking system liquidity. The Reserve Bank of India will buy bonds worth 400 billion rupees (\$4.67 billion) and will also conduct 43-day repo for 1.50 trillion rupees on Thursday.

The RBI is expected to keep sufficient surplus in the banking system to ensure policy transmission, and is looking at a level of around 1% of deposits, RBI Governor said earlier. The surplus works out to be in the range of 2.20 trillion rupees to 2.50 trillion

rupees, while daily average banking system liquidity surplus stood at around 1.70 trillion rupees for this month. The 10-year benchmark bond yield was down 3 basis points at 6.41%, while the three-year and five-year bond yields fell 5-6 bps to 6.12% and 6.17% respectively.

India's merchandise trade deficit in March at \$21.54 billion was wider than expected due to a sharp rise in oil and gold imports, according to data released by the government on Tuesday. March's merchandise trade deficit rose from more than a three-year low trade deficit of \$14.05 billion in the previous month. The government said March's goods exports stood at \$41.97 billion, while imports were \$63.51 billion, compared with \$36.91 billion of exports and \$50.96 billion of imports in February.

India's wholesale inflation eased to a four-month low in March as food prices rose at a slower pace, according to government data released on Tuesday. Wholesale inflation, a proxy for producer prices, fell to 2.05% y-o-y from 2.38% in February, and was lower than the 2.5% expected.

India's retail inflation slipped to a more-than-five-year low as food prices continued to moderate, creating room for deeper central bank rate cuts amid fears the U.S.-China trade war may hit global growth. Annual retail inflation in March eased to 3.34%, below expectations of 3.60%. The print was the lowest since August 2019, the government said in a statement. February retail inflation was 3.61%.

The dollar rose against the euro and yen on Tuesday, showing tentative signs of recovery following a sharp selloff that saw the dollar index tumble more than 3% last week. Investors nonetheless remain cautious on concerns about the impact of U.S. President trade tariffs on the U.S. economy.

The euro was last down 0.70% on the day at \$1.127, after last week reaching a three-year high at \$1.1473. The dollar gained 0.12% against the Japanese yen to 143.16 yen per dollar, not far off Friday's six-month low of 142.05. The dollar gained 0.91% to 0.822 Swiss francs after slumping to a 10-year low against the Swiss currency last week.

The ECB is expected to cut rates by 25 basis points when it concludes its two-day meeting on Thursday.

Markets swung to imply an approximately 55% chance of a Fed cut in May, and futures now point to more than 100 basis points worth of rate cuts by December this year. Investors were previously expecting the Fed to keep rates on hold next month.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
GDP q/y	CNY	5.2%	5.4%	HIGH
Retail Sales m/m	USD	1.3%	0.2%	HIGH
Fed Chair Powell Speaks	USD			HIGH

Support Resistance Levels – Currency Future: (NSE CUR - 28 April 25)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.86	85.50	85.10	86.50	87.0	SIDEWAYS
EURINR FUTURE	97.35	97.0	96.10	98.0	98.80	BULLISH
GBPINR FUTURE	113.57	112.60	111.30	113.75	114.50	BULLISH
JPYINR FUTURE	60.01	59.80	59.20	60.70	61.50	BULLISH

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