

**KEY HEADLINES:**

The Indian rupee spot against the US dollar end higher to scan near 2-months high on Wednesday, for 5<sup>th</sup> consecutive daily gain, supported by likely dollar sales by foreign banks, seasonal adjustments and rally in domestic equity which hope foreign investment revival & expected inflows, support rupee in intra day trade. However, rebound in dollar index from 5-month low and outflow concern after earlier fall in domestic equity market with growth concern along with reciprocal tariff threat will keep rupee under check at every gain.

The rupee at NSE Future 26 Mar-25. ended higher by 18 paise at 86.44 against previous close of 86.62 and after make low of 86.42 and high of 86.73. Asian currencies were mostly lower with the Indonesian rupiah down 0.3% and leading losses.

USDINR 26Mar Future in NSE strengthen Rs.1 in last 6-trading session from 87.51 high on 11-March to low of 86.42 yesterday. Inflows related to inter-company borrowings and repatriation of corporate profits are usual in March, the last month of the financial year. Such inflows have aided the rupee over recent trading sessions.

Strong macroeconomic fundamentals are likely to help India sustain its growth momentum even as the global economy faces uncertainty amid the escalating trade tensions, the Reserve Bank of India said in its March bulletin on Wednesday. Foreigners have pulled nearly \$29 billion out of Indian stocks since October, the most in any six-month period. The trade wars and escalating tariffs could have a harmful impact on growth and fuel inflation, not just in the countries directly involved but for the global economy as a whole, the central bank said.

The Federal Reserve held interest rates steady on Wednesday, as expected, but U.S. central bank policymakers indicated they still anticipate reducing borrowing costs by half a percentage point by the end of this year in the context of slowing economic growth and, eventually, a downturn in inflation. Taking stock of the Trump administration's rollout of tariffs, Fed officials actually marked up their outlook for inflation this year, with their preferred measure of price increases expected to end the year at 2.7% versus the 2.5% pace anticipated in December. The Fed targets inflation at 2%. But they also marked down the outlook for economic growth for this year from 2.1% to 1.7%, with slightly higher unemployment by the end of this year. The Fed left its policy rate in the 4.25%-4.50% range.

The widely expected BOJ decision underscored policymakers' preference to spend more time gauging how mounting global economic risks from higher U.S. tariffs could affect Japan's fragile recovery.

A broadly weaker dollar has also helped lift the rupee by about 0.8% so far in March, although the local unit has lagged most of its regional peers this month. Other side, exporters are likely to stay active in the run-up to the end of India's financial year on March 31.

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 dollar pared gains against the euro on Wednesday, after the FED held interest rates steady as expected, but indicated policymakers expect to cut borrowing costs by half a percentage point by the end of this year.

Against the dollar, the euro was down 0.3% to \$1.0912 after slipping as low as \$1.0860, earlier in the session. The dollar was last up 3.6% against the lira at 37.97, after rising to a record high of 42, earlier in the session. The U.S. currency was 0.3% lower against the Japanese yen at 148.85, after the Bank of Japan held interest rates steady earlier on Wednesday.

U.S. interest rate futures priced in a cut of just over half a percentage point this year, with traders seeing a 62.1% chance of the Fed resuming rate cuts at its meeting in June, according to LSEG estimates, compared with a 57% chance before the announcement. Money markets now price in around 67 basis points of further BoE easing by the end of the year.

### **Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact
5-y Loan Prime Rate	CNY	3.60%	3.60%	HIGH

SNB Policy Rate	CHF	0.25%	0.50%	HIGH
Official Bank Rate	GBP	4.50%	4.50%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.44	86.40	86.0	87.0	87.35	BEARISH
EURINR FUTURE	94.26	94.0	93.40	95.0	96.0	SIDEWAYS
GBPINR FUTURE	112.04	111.85	110.80	113.10	114.0	SIDEWAYS
JPYINR FUTURE	57.75	57.30	56.50	58.20	58.90	BEARISH

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