

KEY HEADLINES:

The Indian rupee spot against the US dollar end sharply higher on Thursday, tracking gain in most Asian peers, softness in dollar index and dollar sales from foreign banks help rupee to test 1-week high. While outflow concern after continue selloff in domestic equity market by overseas investors and lower economy forecast pressure domestic currency at every gain.

The rupee at NSE Future 25 Feb-25. ended gain by 34 paise at 86.66 against previous close of 87.0 and after make low of 86.60 and high of 86.98.

U.S. President Trump's remark that a new trade deal with Beijing is possible lifted the yuan, the yen hit its strongest level in more than two months as investors ramped up bets on further rate hikes from the Bank of Japan. the yen and the offshore yuan rose 0.8% and 0.2%, respectively.

India's sluggish economic growth, the recent RBI interest rate cut, foreign outflows from local stocks and uncertainty around U.S. President Donald Trump's stance on tariffs have spurred bearish bets on the rupee. Spot Rupee surpass from 84 to 87 in just 3-months time period, one of the shortest in record. The rupee is among Asia's worst-performing currencies in 2025 and slipped to a record low of 87.95 in February.

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.

Other side, Foreign investors have sold nearly \$12 billion of local stocks and bonds, on a net basis, this month. The BSE Sensex and Nifty 50, India's benchmark equity indexes, are on a 4-month losing streak, set for their worst such run in 23 years as weak earnings, foreign outflows and economic uncertainty have taken the wind out of the sails of a market that hit record highs just four months back.

The U.S. dollar fell against major currencies on Thursday, as investors took a step back and digested President Donald Trump's latest tariff plans, while the yen rose to 11-week peaks as bets mounted for further rate hikes by the Bank of Japan (BOJ).

U.S. data showing initial jobless claims, which were in line with expectations, and a report indicating that factory output growth slowed in the mid-Atlantic region in February had minimal impact on the currency market. The reports have not changed expectations that the Federal Reserve will remain on hold for several months.

The euro rose 0.4% against the dollar to \$1.0465 , while the greenback slid 0.4% versus the Swiss franc to 0.9011 franc. The yen, meanwhile, rose to an 11-week peak against the dollar of 149.63 per dollar. The U.S. currency last traded down 1.2% to 149.68 yen. The euro also dropped against the yen, down 0.8% at 156.68 yen rose 0.74%, on track for its biggest daily drop in two weeks.

Futures traders are now pricing in around 39 basis points of cuts by December from US FED, up from around 29 basis points before last week data, but down from 37 basis points before the CPI data was released earlier. 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
Retail Sales m/m	GBP	0.4%	-0.3%	HIGH
Flash Manufacturing PMI	USD	51.3	51.2	HIGH
Revised UoM Consumer Sentiment	USD	67.8	67.8	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.66	86.50	86.0	87.10	87.60	BEARISH
EURINR FUTURE	90.49	90.40	89.50	90.90	91.40	BEARISH
GBPINR FUTURE	109.29	108.80	108.0	110.0	110.80	BULLISH
JPYINR FUTURE	58.04	57.50	57.0	58.20	59.0	BULLISH

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