

**KEY HEADLINES:**

The Indian rupee spot against the US dollar end marginally higher on Wednesday, on lackluster trading session ahead of US reciprocal tariff date due next week, while in today session support seen from dollar buying from importer bank after sharp fall in rupee in last 2-weeks added by subdued dollar index. However, outflow concern after earlier fall in domestic equity market along with growth concern & reciprocal tariff threat, keep rupee under check at every gain.

Near-constant shifts in U.S. tariff policies have left traders unsure of how the announcement is likely to play out.

The rupee at NSE Future 28 April-25. ended gain by 6 paise at 86.01 against previous close of 86.07 and after make low of 85.98 and high of 86.22.

Rupee had risen to a year-to-date peak of 85.49 on Monday and is up about 2% on the month so far. The rupee has benefited from dollar inflows spurred by repatriation of corporate profits and a pick up in foreign portfolio investments over recent sessions. Overseas investors have bought more than \$2 billion worth of Indian shares in the last 4-days, while month-to-date inflows into bonds stood at little over \$3 billion.

With inflation close to the RBI's target and growth weak, the country's overnight indexed swap (OIS) markets have started pricing in far more aggressive rate cuts by the central bank than previously anticipated. OIS rates, the closest gauge of interest rate expectations, have eased by 10-15 basis points so far in March, with the absolute levels hinting at more than 50 basis points of rate cuts cumulatively over the next 12 months. The one-year OIS rate stands around 6.10%, its lowest level since August 2022, while the five-year rate was around 5.90%, near its lowest level since March 2022.

India is open to cutting tariffs on more than half of U.S. imports worth \$23 billion in the first phase of a trade deal the two nations are negotiating, government sources said to news media, the biggest cut in years, aimed at fending off reciprocal tariffs. Under the deal, India is open to reducing tariffs on 55% of U.S. goods it imports that are now subject to tariffs ranging from 5% to 30%, according to news sources.

Inflows into Indian bonds - about \$3 billion over March so far - and a pickup in foreign buying of Indian stocks over the last couple of trading sessions have also helped the currency, which was teetering near record-low levels as recently as last month.

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 hit a three-week high against the euro and gained on the yen on Wednesday as traders awaited an announcement from U.S. President auto tariffs. Traders worry that the trade levies will dent U.S. growth and potentially reignite inflation but are also mulling whether the tariffs will be less onerous than feared.

The euro weakened sharply ahead of the tariff announcement, dropping to \$1.075, its lowest since March 5. It was last down 0.32% at \$1.0757, on track for its sixth consecutive day of declines against the greenback. The Japanese yen weakened 0.42% to 150.5 per dollar.

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.

In cryptocurrencies, bitcoin fell 1.53% to \$86,548.

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

Indicator	Currency	Forecast	Previous	Impact
Final GDP q/q	USD	2.3%	2.3%	HIGH
Pending Home Sales m/m	USD	0.9%	-4.6%	HIGH


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

Currency	LTP	S1	S2	R1	R2	Trend
<b>USDINR FUTURE</b>	<b>86.01</b>	<b>85.80</b>	<b>85.10</b>	<b>86.40</b>	<b>86.80</b>	<b>BEARISH</b>
<b>EURINR FUTURE</b>	<b>93.03</b>	<b>92.80</b>	<b>92.0</b>	<b>93.30</b>	<b>94.0</b>	<b>BEARISH</b>
<b>GBPINR FUTURE</b>	<b>111.18</b>	<b>110.90</b>	<b>110.10</b>	<b>111.50</b>	<b>112.20</b>	<b>SIDEWAYS</b>
<b>JPYINR FUTURE</b>	<b>56.99</b>	<b>56.50</b>	<b>56.00</b>	<b>57.50</b>	<b>58.10</b>	<b>BEARISH</b>

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