

KEY HEADLINES:

The Indian rupee spot against the US dollar end marginally higher on Tuesday, follow gains in Asian peers amid fall in dollar index and stable equity market after last few days sharp falls added by likely central bank intervention. However, upside seen limited due to tariff impose by US President and reciprocal tariff looming makes currency uncertain added by outflow concern after continue selloff in domestic equity market by overseas investors pressure rupee at every gain.

The rupee at NSE Future 26 Mar-25. ended gain by 4 paise at 87.42 against previous close of 87.46 and after make low of 87.38 and high of 87.56. Asian currencies rose between 0.1% and 0.6%.

The Indian currency dropped 1% in February, logging its 5th straight monthly loss. 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.

The U.S. ISM manufacturing and services data and the non-farm payrolls data are due later this week, coming amid a backdrop of worries that the world's largest economy is heading for a slowdown.

The dollar fell to a three-month low on Tuesday as concerns about slowing growth and the impact from tariffs on the U.S. economy outweighed any potential boost from new levies on Canada, China and Mexico. US President's 25% tariffs on goods from Canada and Mexico took effect Tuesday, along with a doubling of duties on Chinese goods to 20%.

In response, China said it will impose additional tariffs of 10-15% on certain U.S. imports from March 10. Canada has said that retaliatory tariffs on the United States would take

effect on Tuesday, and Mexico is expected to follow suit. Increasingly convinced Donald Trump is acting, rather than just talking, markets are moving to factor in a slowdown in U.S. and global growth. The textbook reaction might have been to buy the dollar and sell foreign currencies that would be expected to weaken to stimulate exports. But that did not happen across the board.

The U.S. dollar index, was 0.31% lower than late Monday's levels in mid-morning U.S. trade at 106.21, hitting its lowest since December 6. The Canadian dollar strengthened overnight. Dollar/Canada was last little changed at C\$1.4479, having hit a one-month low of 1.4541 late on Monday after Trump confirmed the tariffs. The Mexican peso was last down roughly 0.1% with the dollar trading at 20.906 pesos, after earlier touching its lowest since February 3. The euro was up 0.36% at \$1.0523, and hit its highest since December 10 at \$1.0559. Sterling rose to an 11-week high of \$1.2753 as the dollar slipped and was last up 0.08% at \$1.2709. The dollar weakened 0.66% to 148.51 yen. It bottomed at 148.07, its lowest since October 8.

U.S. 10-year Treasury yields fell to their lowest level since October 21 on Tuesday at 4.106% as traders digested the weak data and tariff headlines.

Markets are currently pricing in 57 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.

In cryptocurrencies, bitcoin was down 1.71% to \$83,829.10. It rose to almost \$95,000 on Sunday following Trump's weekend proposal for a national strategic reserve of cryptocurrencies. Ethereum was off 0.55% at \$2,098.51.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
GDP q/q	AUD	0.6%	0.3%	HIGH
ADP Non-Farm Employment Change	USD	141K	183K	HIGH

ISM Services PMI	USD	52.5	52.8	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.42	86.95	86.20	87.75	88.30	BULLISH
EURINR FUTURE	91.97	91.40	90.80	92.20	93.0	BULLISH
GBPINR FUTURE	111.10	110.0	109.40	111.30	112.0	BULLISH
JPYINR FUTURE	58.90	58.50	58.0	59.10	59.60	BULLISH

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Disclosure:

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