

**KEY HEADLINES:**

The Indian rupee spot against the US dollar ended sharply higher to log best daily gain in 3-weeks on Wednesday, due to fall in dollar index towards 3-month low, Euro rally towards fresh 4-month high, tracking gain in Asian peers and rebound in domestic equity market which hope of reversal in outflows. However, upside seen limited due to tariff imposed 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 higher by 24 paise at 87.18 against previous close of 87.42 and after make low of 87.07 and high of 87.35. Asian currencies were up between 0.1% to 0.8%.

Concerns about the U.S. growth outlook alongside uncertainty about the growth-inflation impact of trade tariffs have weighed on the dollar and U.S. bond yields over last few sessions. The U.S. has imposed a 25% levy on Mexican and Canadian imports and has doubled duties on Chinese imports to 20%.

In his first speech before U.S. lawmakers since taking office, Trump said on Tuesday that further tariffs would follow on April 2, including "reciprocal tariffs" and non-tariff actions aimed at balancing out years of trade imbalances.

China pledged more fiscal stimulus on Wednesday, signalling greater efforts to boost consumption to protect economic growth amid heightened trade tensions with the United States. Policymakers set this year's GDP growth goal at roughly 5%, as expected. The offshore yuan edged up 0.2% to 7.2639 per dollar.

India's central bank said on Wednesday it will infuse \$21 billion in rupee liquidity into the banking system in a bid to ease lending conditions and boost economic growth. The Reserve Bank of India (RBI) "will continue to monitor evolving liquidity and market conditions and take measures as appropriate to ensure orderly liquidity conditions," it said in a press release. As part of the measures, the RBI will conduct two open market operations, totalling one trillion rupees (\$11.50 billion) on March 12 and March 18. It will also conduct a dollar-rupee buy-sell swap worth \$10 billion on March 24, the central bank said. Indian banks' liquidity deficit stood at 204.2 billion rupees as on March 4, the lowest level since December 15.

Growth in India's services sector accelerated in February, supported by robust demand

and a firm business outlook that led to a substantial increase in hiring, a survey showed. HSBC's final India services PMI, compiled by S&P Global, rose to 59.0 in February from January's 26-month low of 56.5 but was lower than expected 61.1. It has remained above the 50-mark separating expansion from contraction since mid-2021.

The Indian currency dropped 1% in February, logging its 5<sup>th</sup> 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 euro hit four month highs on Wednesday against the U.S. dollar, as Europe's growth prospects improved after Germany's proposed 500-billion euro (\$531 billion) infrastructure fund, potentially offsetting global trade tensions. The single currency is up nearly 3.7% this week, already on track for its best week since November 2022. It rose to its highest since November 8 against the dollar was last up 1.3% at \$1.0765.

The dollar index, the reverse proxy for the euro being the largest component of the index, fell more than 1% at 104.45 and hit its lowest since November 8 as well. Against the Swiss franc, the dollar was slightly higher on the day at 0.8899 franc. The dollar fell 0.7% against the yen to 148.74.

U.S. economic data on Wednesday was mixed, with private payrolls slowing sharply last month, while the service sector expanding as price growth accelerated.

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.

### Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Main Refinancing Rate	EUR	2.65%	2.90%	HIGH
ECB Press Conference	EUR			

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.18	86.95	86.20	87.75	88.30	SIDEWAYS
EURINR FUTURE	93.21	92.50	91.40	93.50	94.30	BULLISH
GBPINR FUTURE	111.81	110.80	110.0	112.0	112.80	BULLISH
JPYINR FUTURE	58.56	58.30	57.80	59.10	59.60	BULLISH

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