

KEY HEADLINES:

The Indian rupee spot against the US dollar end sharply lower on Wednesday, to mark worst single day decline in a month due to border tension after India strike back hit sentiment added by fall in Asian peers and subdued equity market.

The rupee at NSE Future 28 May-25. ended lower by 48 paise at 84.89 against previous close of 84.51 and after make low of 84.60 and high of 85.03. Asian currencies were lower on the day, with the offshore Chinese yuan declining to 7.22 and the Indonesian rupiah down 0.5%.

India said it had struct 9-neighbour countrys "terrorist infrastructure" sites, some of them linked to an attack by militants on tourists that killed 26 people in Indian Kashmir last month. the worst fighting in more than two decades between the nuclear-armed neighbors. The rupee is likely to keep facing intermittent pressure depending on how the situation evolves.

The Federal Reserve held interest rates steady in the 4.25%-4.50% range on Wednesday but said the risks of higher inflation and unemployment had risen, further clouding the economic outlook as the U.S. central bank grapples with the impact of Trump administration tariff policies. The economy overall has "continued to expand at a solid pace," the Fed said in a policy statement, attributing a drop in first-quarter output to record imports as businesses and households rushed to front-run new import taxes. Powell also noted that trade policy remains a source of uncertainty that affirms the Fed's need to be in a wait-and-see mode. "I don't think we can say...which way this will shake out," he said, adding "I think there's a great deal of uncertainty about, for example, where tariff policies are going to settle out."

With the dollar nursing losses of 8% against major peers this year on the back of heightened policy uncertainty, carry trades on emerging market currencies could benefit. Carry investors borrow money from economies with low interest rates to fund investments in higher-yielding assets.

The Bank of England also meets this week and is expected to lower interest rates by a quarter point on Thursday .

Britain and India clinched a free trade agreement on Tuesday, in a landmark deal that represents London's most significant post-Brexit pact, and was finalised in the shadow of U.S. Presidents tariff increases. The deal, between the world's fifth and sixth largest

economies, has been concluded after three years of stop-start negotiations and aims increase bilateral trade by a further 25.5 billion pounds (\$34 billion) by 2040 with liberal market access and eased trade restrictions. The deal lowers tariffs on goods like whisky, advanced manufacturing parts and food products like lamb, salmon, chocolate and biscuits. It also agrees quotas on both sides for autos imports.

The U.S. dollar remained slightly stronger against major currencies including the yen and the euro on Wednesday after the Federal Reserve left interest rates unchanged, in line with market expectations.

The greenback was up 0.55% versus the yen at 143.190 , breaking a three-day falling streak, with Japanese markets reopening after a two-day holiday.

Markets now imply only a 37% chance of a Fed rate cut in June, down from 64% a month ago. Goldman Sachs and Barclays both shifted their cut calls to July from June and futures now point to more than 75 basis points worth of rate cuts by December this year.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Official Bank Rate	GBP	4.25%	4.50%	HIGH

Support Resistance Levels – Currency Future: (NSE CUR - 28 MAY 25)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	84.89	84.40	83.90	85.35	86.0	SIDEWAYS
EURINR FUTURE	96.57	95.50	94.50	96.75	97.20	BEARISH
GBPINR FUTURE	113.39	112.20	111.70	113.50	114.30	SIDEWAYS
JPYINR FUTURE	59.46	58.85	58.30	59.55	60.10	SIDEWAYS

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