

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower to hit 2-week low on Tuesday, pressure by fall in China Yuan added by dollar demand from importers over hedging and tariff war turmoil makes financial market volatile as well currency. However, likely central bank buying and fall in dollar index added by rate cut expected from RBI in 9th April MPC meeting support somehow rupee at lower level.

The rupee at NSE Future 28 April-25. ended sharply lower by 41 paise at 86.40 against previous close of 85.99 and after make low of 85.93 and high of 86.44. INR depreciate more than Rs.1 against USD since low made 3-days ago.

The onshore Chinese yuan declined 0.4% to 7.33 on Tuesday after the country's central bank set the midpoint rate, around which the yuan is allowed to trade in a 2% band, at the weakest level since September 2023. China's offshore yuan hit its lowest level since it started trading in 2010 at 7.3815. Asian currencies weakened, with the Indonesian rupiah hitting a record low as traders returned from an extended break.

Indian importers locked in foreign exchange hedges with banks at a record pace last month, capitalizing on a rally in the rupee. A few of these banks are now facing margin calls due to notional losses on those positions. Importers purchased dollar/rupee foreign exchange forward contracts worth \$66.5 billion in March, marking a year-on-year increase of 75% and clocking the highest monthly volume since clearing house Clearing Corporation of India Ltd (CCIL) began publishing data in July 2016. In contrast, forward contract activity by exporters declined year-on-year, underscoring the divergence. The record hedging was driven by a more than 2% rally in the rupee in March, marking a rebound from record low levels.

India is facing a relatively softer levy of 27% than regional peers such as China, Vietnam and Thailand, which also was a sentimental positive for the currency.

India's central bank has decided not to conduct a 14-day variable rate repo auction for the fortnight ending April 17, following a review of liquidity conditions, it said on Thursday. The Reserve Bank of India infuses liquidity in the banking system using repos and sucks it out using reverse repos. India's banking system liquidity surplus is set to widen to five-month high to around 2.5 trillion rupees in coming days amid government spending and the RBI's bond purchase, according to trade estimates. Banking system liquidity moved into surplus on March 29, after being in deficit since mid-December. The

surplus stood at 1.42 trillion rupees, as on April 1.

The U.S. dollar weakened against major currencies including the yen and euro, while China's offshore yuan hit a record low on Tuesday, amid trade disputes sparked by President Donald Trump's sweeping tariffs that have roiled markets for three days. The Japanese yen and Swiss franc continued to benefit from appetite for safe-havens, however, as investors remain concerned about the potential for a global recession.

The dollar weakened 0.53% to 147.06 yen against the Japanese yen and was down 0.33% to 0.857 franc against the Swiss franc. On Tuesday, the euro was last up 0.1% at \$1.091375, down from an earlier rise of more than 0.7%, after falling for the two previous days. The dollar index , which measures the greenback against a basket of currencies including the yen and the euro, fell 0.11% to 103.32.

Markets swung to imply an approximately 55% chance of a Fed cut in May, and futures now point to more than 100 basis points worth of rate cuts by December this year . Investors were previously expecting the Fed to keep rates on hold next month.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
FOMC Meeting Minutes	USD			HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.40	85.90	85.50	86.50	87.10	BULLISH
EURINR FUTURE	94.54	93.60	92.60	95.0	95.60	BULLISH
GBPINR FUTURE	110.35	109.90	109.0	111.30	112.0	BEARISH
JPYINR FUTURE	59.03	58.50	58.0	59.30	60.0	BULLISH

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