

KEY HEADLINES:

The Indian rupee spot against the US dollar ended at all time closing low on Tuesday, as it is to be expected that new appointed RBI governor will start rate cut cycle sooner than expected earlier added by gain in dollar index and uptick in Crude oil prices. However upside cap by likely RBI intervention support rupee from sharp fall.

The rupee at NSE Future 27 Dec. ended lower by 12 paise at 84.95 against previous close of 84.83 and after make low of 84.86 and high of 84.97. Government bond yields dipped, while the 5-year overnight index swap, a gauge of interest rate expectations, declined to a 3-month low of 5.97% before paring losses.

Between now and the next rate meeting in February, the new Governor's views on liquidity, currency management and macro-prudential measures will be watched closely. Malhotra will start his three-year term as RBI governor from Wednesday and relinquish his current post as the revenue secretary to the country's finance ministry.

U.S. and India's inflation data due this week on Wednesday and Thursday, respectively, will be in focus to gauge the future path of benchmark policy rates in the two countries.

Measures from the U.S. President-elect -- including tariffs and tax cuts -- should put upward pressure on inflation and bond yields while limiting the Fed's scope to ease policy and supporting the greenback. The dollar index is up more than 2.5% in November so far while the U.S. 10-year Treasury yield touched an over-5-month high of 4.50% last week.

The dollar rose on Tuesday ahead of U.S. inflation data that could offer clues about the Federal Reserve's monetary-easing path, while analysts assess the likely impact of President-elect Donald Trump's policies when he begins his second term. The Australian dollar dropped sharply as the Reserve Bank of Australia softened its tone on the inflation outlook, while the rally sparked by China stimulus pledges tapered off after weak Chinese trade data.

The U.S. dollar rose 0.5% to 151.980 yen. The dollar index, which measures the currency against the yen and five other major peers, rose 0.42% to 106.6. The euro dropped 0.48% to \$1.0503. The Aussie fell 1.09% to \$0.6371, a level that had not been seen since Aug. 5. Against Canada's loonie, the U.S. dollar rose to its strongest level since April 2020 at C\$1.4191.

China's exports grew at a slower pace in November, while imports unexpectedly shrank, affecting expectations for the Australian economy, as China is its largest trading partner.

The market was pricing a roughly 84% chance of a quarter-point hike at its next policy meeting on Dec. 19, little changed from before the speech. Markets now imply about 150 basis points of ECB easing by the end of next year, compared with around 75 basis points from the Fed.

The main events investors are watching this week are the ECB policy meeting on Thursday, where a quarter point cut is baked in, and China's closed-door Central Economic Work Conference. The Bank of Canada, the Swiss National Bank and the Reserve Bank of Australia meet this week, with deep rate cuts expected from the first two that could turn yield differentials even more against their currencies. The Canadian dollar traded near a 4-1/2-year low on Monday as markets anticipate another outsized interest-rate cut.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI y/y	USD	2.7%	2.6%	HIGH
Overnight Rate	CAD	3.25%	3.75%	HIGH

Support Resistance Levels – Currency Future: (NSE CUR - 27 Dec 24)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	84.95	84.70	84.30	85.0	85.60	BULLISH
EURINR FUTURE	89.58	89.00	88.35	89.90	90.50	SIDEWAYS
GBPINR FUTURE	108.33	107.40	106.60	108.75	109.50	BULLISH
JPYINR FUTURE	56.86	56.70	56.0	57.30	58.0	SIDEWAYS

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