

## **KEY HEADLINES:**

The Indian rupee spot against the US dollar ended again at all time low on Wednesday, pressured by a fall in China Yuan and dollar demand from foreign banks while upside cap by likely RBI intervention support rupee from sharp fall.

The rupee at NSE Future 27 Dec. ended flat by 0 paise at 84.95 against previous close of 84.95 and after make low of 84.91 and high of 84.98. The offshore Chinese yuan declined 0.4% to 7.28 after Reuters reported that China was considering allowing the yuan to weaken next year to weather higher tariffs, weighing down most Asian currencies.

The rupee has weakened 0.4% in December, underperforming many of its regional peers as concerns over slowing economic growth and the appointment of a new RBI chief has fuelled expectations of rate cuts next year, hurting the local unit.

India's newly-appointed central bank governor Sanjay Malhotra on Wednesday said he will look to ensure stability and continuity in policymaking for the benefit of the economy. "All businesses, all people they do need this (policy) stability rather than (a) day-to-day kind of a policy," Malhotra said at a press conference in Mumbai after he took charge for a three-year term. "We continue to uphold this value, this principle of stability."

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.

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 was little changed on Wednesday after U.S. price data came in line with forecasts, reinforcing expectations the U.S. Federal Reserve will cut interest rates next week.

The consumer price index rose 0.3% last month, the largest gain since April after

advancing 0.2% for four straight months, data showed on Wednesday. Economists polled by Reuters had forecast the index would rise 0.3%.

The U.S. dollar index was last up 0.141% at 106.5. The dollar jumped against the yuan, but gave back some of its earlier gains and was last up 0.18% against the offshore unit at 7.2747. The dollar was last 0.19% higher at 152.25 yen. The euro was down 0.13% at \$1.0514, while the Swiss franc was down 0.07% against the dollar at 0.8822.

The market was pricing a roughly 94% 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
SNB Policy Rate	CHF	0.75%	1.0%	HIGH
Main Refinancing Rate	EUR	3.15%	3.40%	HIGH
PPI m/m	USD	0.2%	0.2%	HIGH


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

Currency	LTP	S1	S2	R1	R2	Trend
<b>USDINR FUTURE</b>	<b>84.95</b>	<b>84.70</b>	<b>84.30</b>	<b>85.0</b>	<b>85.60</b>	<b>BULLISH</b>
<b>EURINR FUTURE</b>	<b>89.17</b>	<b>89.00</b>	<b>88.35</b>	<b>89.90</b>	<b>90.50</b>	<b>BEARISH</b>
<b>GBPINR FUTURE</b>	<b>108.14</b>	<b>107.40</b>	<b>106.60</b>	<b>108.75</b>	<b>109.50</b>	<b>BULLISH</b>
<b>JPYINR FUTURE</b>	<b>56.49</b>	<b>56.40</b>	<b>56.0</b>	<b>57.0</b>	<b>57.35</b>	<b>SIDEWAYS</b>

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