

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower after open strong to take clue from previous day mark best daily gain in over 2-year on Wednesday, pressure by gain in dollar index after US president new tariff plan and also likely to impose reciprocal tariff in day-two which makes sell off in equity and outflow concern after consistent Foreign investors selling makes rupee under check. However, likely central bank intervention and RBI likely to boost long term liquidity support domestic currency from sharp fall.

The rupee at NSE Future 25 Feb-25. ended down by 10 paise at 87.04 against previous close of 86.94 and after make low of 86.55 and high of 87.07.

The Reserve Bank of India will conduct a 49-day variable rate repo for 750 billion rupees (\$8.63 billion) on Friday, it said after market hours. The RBI had doubled the quantum of government bonds it aims to buy in an open market operation to 400 billion rupees. On Wednesday, the central bank also announced an overnight repo auction worth 2.75 trillion rupees, which is the highest quantum for such operations since it started conducting these a month ago. Over the last one month, the central bank has infused more than 1.50 trillion rupees through a combination of bond purchases, dollar/rupee buy/sell swaps and a 56-day repo.

The RBI likely sold between \$4 billion and \$7 billion to shore up the currency on Monday to help it hold above the 88 handle and the intervention continued on Tuesday, according to one estimates. The Rupee Spot hit its all-time low of 87.95 on Monday.

India's retail inflation slowed to a five-month low in January as food price inflation eased, boosting the odds of another rate cut in the South Asian economy where growth is slowing amid the escalating threat of a global trade war. Annual retail inflation in January was at 4.31%, lower than economists' estimate of 4.6% and 5.22% in the previous month. Retail inflation was at 3.65% in August 2024. The central bank targets inflation at 4% within a tolerance band of 2 percentage points on either side.

Concerns about a potential trade war, persistent foreign selling from domestic stocks and policy easing by the RBI have weighed on the rupee this year and prompted speculators to wager against the currency. Spot Rupee surpass from 84 to 87 in just 3-months time period, one of the shortest in record.

Modi is preparing additional tariff cuts ahead of a meeting with Trump this week,

government officials told Reuters.

Other side, Foreign investors have sold nearly \$10 billion of local stocks and bonds, on a net basis, this month. The BSE Sensex and Nifty 50, India's benchmark equity indexes, are on a four-month losing streak, set for their worst such run in 23 years as weak earnings, foreign outflows and economic uncertainty have taken the wind out of the sails of a market that hit record highs just four months back.

The U.S. dollar jumped on Wednesday after data showed that consumer prices rose more than economists expected in January, raising the likelihood that the Federal Reserve will hold interest rates higher for longer as it battles to bring down price pressures.

The headline U.S. CPI rose by 0.5% in January, while the core index rose by 0.4%. Both were expected to rise by 0.3%. That puts headline consumer price gains at 3.0% for the year, above expectations for a 2.9% increase, while core prices rose at an annual pace of 3.3%, above expectations for a 3.1% rise.

The dollar index was last up 0.18% on the day at 108.12, while the euro reversed earlier losses to gain 0.06% to \$1.0366. Against the Japanese yen, the dollar strengthened 1.34% to 154.52 yen.

Interest rate futures traders are now pricing in 28 basis points of cuts by December, down from around 37 basis points before the data, implying a larger chance of only one 25-basis-point cut for the year. Money markets now price in around 67 basis points of further BoE easing by the end of the year.

In cryptocurrencies, bitcoin fell 0.76% to \$95,658.43.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
GDP m/m	GBP	0.1%	0.1%	HIGH
PPI m/m	USD	0.3%	0.2%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	87.04	86.50	86.0	87.20	87.85	SIDEWAYS
EURINR FUTURE	90.34	89.50	88.80	90.50	91.40	SIDEWAYS
GBPINR FUTURE	108.33	107.70	107.0	108.70	109.90	BEARISH
JPYINR FUTURE	57.20	56.90	56.30	57.30	58.20	BEARISH

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