

**KEY HEADLINES:**

The Indian rupee spot against the US dollar logged its biggest single day fall in nearly 2-years to hit fresh lifetime low on Monday, pressure by rally in dollar index near 2-year high & Treasury yield at multi month high added by weak Asian peers and outflow concern after sharp sell off in domestic equity. Limited intervention by central bank also makes free fall in rupee intra day, however some intervention support rupee at lower level but fail to materialize in positive zone.

The last time Rupee fell this much was in February 2023. Domestic currency has declined over 2% since December on worries over slowing growth and expectations that central bank may cut rates as soon as February added by wider trade deficit. Rupee drop to 86 from 85 in less than 1-month.

The rupee at NSE Future 29 Jan-25. ended sharp fall by 59 paise at 86.75 against previous close of 86.16 and after make low of 86.30 and high of 86.79.

India's foreign exchange reserves dropped to \$634.6 billion in the week through Jan. 3, an over 10-month low, and down \$70 billion from a peak hit in late September. The country's FX reserves saw the biggest drawdown in percentage terms in Asia in December, as per Nomura's calculations.

Foreign investors are exiting their Indian investments and have sold over \$4 billion of domestic stocks and bonds in January so far.

Foreigners have taken out \$11.7 billion from Indian equities in the December quarter, compared with inflows of about \$12 billion in the first nine months. Tepid capital flows have also been a pain point for the rupee, foreign investors logged net purchases of only \$124 million of Indian equities in 2024, down from \$20.7 billion in 2023. As the rupee slid, the forex reserves reflect the RBI's efforts to support the currency. India's forex reserves are now down \$60.5 billion from their record-high levels.

India's annual retail inflation in December eased to a four-month low, government data showed on Monday, boosting hopes of the country's central bank cutting interest rates in February. Annual retail inflation in December eased to 5.22% from 5.48% in the previous month, lower than forecasted of 5.3% in a Reuters poll. Core inflation, which excludes volatile items such as food and energy prices and is seen as a better gauge of domestic demand, was 3.6% in December compared to between 3.64% and 3.7% in

November, according to two economists.

In 2025, traders will keep an eye on potential U.S. trade tariffs which may dampen the outlook for emerging market currencies, especially the Chinese Yuan. India's growth trajectory and FPI funds flow will be the other key variable alongside any potential changes in RBI's forex strategies under the new governor.

For India, 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.

The British pound extended its recent drop against the dollar and the euro on Monday driven by investor concerns about Britain's fiscal sustainability as gilt yields rose for a sixth straight day. Sterling fell as much as 0.7% against the dollar to \$1.21, its lowest level since November 2023. It was last at \$1.2124.

The U.S. rate futures market has priced in a 93% chance of a pause in rate cuts this month, and a 6.9% probability of easing, according to LSEG estimates. Rate futures have also implied just one rate cut this year of 25 basis points. Traders anticipate deep interest rate cuts from the European Central Bank in 2025, with markets pricing in at least four 25-basis-point cuts, while not being certain of even two such moves from the Fed.

**Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact
PPI m/m	USD	0.4%	0.4%	HIGH

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### **Support Resistance Levels – Currency Future: ( NSE CUR - 29 Jan 25)**

Currency	LTP	S1	S2	R1	R2	Trend
<b>USDINR FUTURE</b>	<b>86.75</b>	<b>86.30</b>	<b>85.80</b>	<b>86.85</b>	<b>87.50</b>	<b>BULLISH</b>
<b>EURINR FUTURE</b>	<b>88.49</b>	<b>88.30</b>	<b>87.50</b>	<b>89.20</b>	<b>89.70</b>	<b>BEARISH</b>
<b>GBPINR FUTURE</b>	<b>105.21</b>	<b>105.0</b>	<b>104.10</b>	<b>106.0</b>	<b>106.80</b>	<b>BEARISH</b>
<b>JPYINR FUTURE</b>	<b>55.05</b>	<b>54.60</b>	<b>54.0</b>	<b>55.20</b>	<b>55.75</b>	<b>BEARISH</b>

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