

**KEY HEADLINES:**

The Indian rupee spot against the US dollar continue to hit fresh lifetime low on Tuesday, on strong dollar demand from importer banks, overnight gain in dollar index, maturity of position in NDF market pressure domestic currency, however likely central bank intervention support rupee at lower level but fail to make rupee in positive zone.

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.

With US elected president set to step back into the White House next week, the focus has been on his policies that analysts expect will boost growth and price pressures.

The rupee at NSE Future 29 Jan-25. ended gain by 6 paise at 86.69 against previous close of 86.75 and after make low of 86.58 and high of 86.86. The currency was under pressure through much of the session amid broad-based dollar demand prompted by maturing positions in the NDF market. The rupee's 1-month implied volatility , a gauge of future expectations, rose to a 16-month peak of 4% on the day.

India's wholesale inflation accelerated in December to 2.37% y-o-y, from 1.89% in November, government data showed on Tuesday, but in line with market expectations. The wholesale inflation rate, a proxy for producer prices, last month came largely in line with the 2.3% forecast by economists in a Reuters poll.

The currency logged its steepest single-day fall in nearly two years on Monday as the dollar scaled an over two-year high on fading bets of U.S. interest rate cuts this year after a blowout jobs report.

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

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 dollar fell against the euro on Tuesday but was still hovering near its highest level in more than two years as the first of two inflation readings this week provided little assurance the U.S. Federal Reserve will soon cut interest rates. The threat of tariffs along with fewer Fed rate cuts priced in has lifted Treasury yields and supported the greenback.

The dollar index, slipped 0.04% to 109.37, shy of the 26-month high of 110.17 it reached on Monday. It hit 114.78 in October 2022, its highest since 2002. Meanwhile, the euro was up 0.39% at \$1.0286. It touched \$1.0177 on Monday, its lowest level since November 2022. The British pound , down 0.07% at \$1.2194 against the dollar, also touched a 2-1/2-month low versus the euro. The dollar rose 0.37% against the yen to 158.055. The yuan was flat, changing hands at 7.3468 per dollar on Tuesday.

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
CPI y/y	USD	2.9%	2.7%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.69	86.30	85.80	86.90	87.50	BULLISH
EURINR FUTURE	89.0	88.30	87.50	89.25	89.70	BEARISH
GBPINR FUTURE	105.62	105.0	104.10	106.20	106.80	BEARISH
JPYINR FUTURE	54.76	54.60	54.0	55.20	55.75	BEARISH

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