

KEY HEADLINES:

The Indian rupee spot against the US dollar ended at all time closing low on Monday, pressured by rise in US Bond Yield added by weakness in Chinese Yuan and after number release shows India's merchandise trade deficit widened to a record high in November. However, likely RBI intervention at lower level support rupee from sharp fall.

The rupee at NSE Future 27 Dec. ended fall by 13 paise at 85.0 against previous close of 84.87 and after made low of 84.87 and high of 85.04.

India's merchandise trade rose to \$37.84 billion in November, according to a Reuters calculation based on export and import data released by the government. Economists had expected the deficit to be \$23.9 billion, according to a Reuters poll. In October, the merchandise trade deficit stood at \$27.14 billion.

India's wholesale inflation slowed in November to 1.89% year-on-year, easing from the previous month, due to a smaller increase in food prices, came in lower than the 2.2% forecast by economists in a Reuters poll, and down from a four-month high of 2.36% in October.

India's private sector output grew at the fastest pace in four months, preliminary readings from a survey showed, helping the economy end 2024 on a positive note underpinned by sturdier demand in services and manufacturing and record jobs growth. Monday's HSBC's December flash India Composite PMI, compiled by S&P Global, rose to 60.7 this month - matching August's reading - after dropping to 58.6 in November.

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.

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.

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 U.S. dollar advanced against major currencies on Monday, hovering near a three-week high, as markets await the Federal Reserve and other key central bank meetings this week for clues on the likely path of interest rates in 2025.

Markets are confident of a quarter-point Fed rate reduction at the end of its policy meeting on Wednesday, with chances of such a cut at almost 97%, according to CME's FedWatch tool. The yield on benchmark U.S. 10-year notes fell 1.2 basis points to 4.387%.

The U.S. dollar index - which tracks the currency against six others - was up 0.08% at 106.95, after rising as high as 107.16 on the session. The index had hit 107.18 on Friday, its highest since Nov. 26. The dollar strengthened 0.7% to 0.89320 against the Swiss franc , hovering near its highest level since July. Against the Japanese yen, the dollar strengthened 0.43% to 154.28, after rising as high as 154.480 for the first time since Nov. 26. The euro rebounded after early session losses but pared those gains and was down 0.06% at \$1.0496.

The decline in euro zone business activity eased this month, a survey showed, while European Central Bank President Christine Lagarde said on Monday the ECB will cut interest rates further if inflation continues to ease towards its 2% target.

Bitcoin hit a record high above \$106,000 after President-elect Donald Trump suggested he plans to create a U.S. bitcoin strategic reserve similar to its strategic oil reserve, stoking the enthusiasm of crypto bulls. Trump's comments came in an interview with CNBC, late last week and echoed other statements made during his successful presidential campaign, which was seen as positive for the crypto industry. Bitcoin surged to as high as 106,858 on Monday. It was last up 5.23% to \$106,645.00.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Retail Sales m/m	USD	0.6%	0.4%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.0	84.70	84.30	85.10	85.50	BULLISH
EURINR FUTURE	89.17	88.30	87.50	89.90	90.50	BEARISH
GBPINR FUTURE	107.44	107.0	106.10	108.15	108.80	BULLISH
JPYINR FUTURE	56.10	55.80	54.80	56.60	57.30	BEARISH

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