

KEY HEADLINES:

The Indian rupee spot against the US dollar fell after registering its best single day gain over 7-month previous day to fall sharply on Thursday, pressure by rebound in dollar index & US Treasury yield, outflow concern after sell off in domestic equity and widening trade deficit added by dollar demand from importer bank after previous day fall makes rupee under check. However likely central bank intervention at lower level to curb rupee from sharp fall restrict to surpass previous days high.

Domestic currency has declined over 2% since December & 3% since Donald Trump's victory in the U.S. Presidential elections in November, 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 down by 17 paise at 86.67 against previous close of 86.50 and after making low of 86.45 and high of 86.68.

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 U.S. dollar fell on Thursday as traders digest a slew of mixed economic data to gauge the outlook for the Federal Reserve's interest rate cuts this year.

U.S. retail sales rose 0.4% last month after upward revisions the previous month, data from the Commerce Department's Census Bureau showed. Other side, the number of Americans filing new applications for unemployment benefits increased more than expected last week, but remained at levels showing a healthy labor market. The

Philadelphia Fed Business Index, which jumped to 44.3 in January, was the lone surprise as the forecast was for a reading of minus 5.

The U.S. dollar index - a measure of the value of the greenback relative to a basket of foreign currencies - pared earlier gains and was last down 0.09% at 108.92. The euro was flat at \$1.029, while sterling was down 0.15% at \$1.2226 against the dollar. The dollar is down 0.67% against the yen at 155.43, its lowest level since Dec. 19. China's yuan, seen on the front lines of tariff risk, was pinned near the weak end of its trading band at 7.3316.

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
GDP q/y	CNY	5.0%	4.6%	HIGH
Retail Sales m/m	GBP	0.4%	0.2%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.67	86.30	85.80	86.90	87.50	BULLISH
EURINR FUTURE	89.15	88.30	87.50	89.30	90.0	BEARISH
GBPINR FUTURE	105.75	105.0	104.10	106.20	106.80	BEARISH
JPYINR FUTURE	55.76	55.30	54.75	56.0	56.40	BULLISH

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