

KEY HEADLINES:

The Indian rupee spot against the US dollar end 2nd day at life time closing low on Tuesday, pressured by widening trade deficit added by sell off in equity might turn into outflow, rise in US Bond Yield and weakness in Asian peers makes domestic currency under check. However, likely RBI intervention at lower level support rupee from sharp fall.

Benchmark Indian equity indexes BSE Sensex and Nifty 50, closed lower by over 1% each, dragged by weakness in financial stocks and Reliance Industries. Most other Asian currencies weakened, led by a 0.6% decline in the Thai baht. U.S. bond yields rose in Asia trading with investor focus squarely on the Federal Reserve's policy decision due on Wednesday during U.S. market hours.

The rupee at NSE Future 27 Dec. ended down by 1 paise at 84.99 against previous close of 85.0 and after make low of 84.97 and high of 85.05.

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.

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 strengthened against major currencies on Tuesday following better-than-expected retail sales data that showed underlying economic momentum and as markets braced for interest rate moves from the Federal Reserve and other central banks.

Commerce Department data on Tuesday showed that U.S. retail sales surpassed expectations by jumping 0.7% in November, backed by an uptick in motor vehicle and

online purchases.

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%.

Against the Swiss franc, the dollar was flat at 0.894 in choppy trading, after hovering near its highest level since July. The euro, which is heading for a drop of nearly 5% against the dollar this year, was down 0.16% at \$1.04950. The U.S. dollar index - which tracks the currency against six others - was rose 0.1% to 106.91, after trading as high as 107.08 on the session. The dollar weakened 0.02% to 7.290 versus the offshore Chinese yuan, as dour expectations for Chinese economic growth pinned 10-year bond yields near record lows.

The Canadian dollar weakened to nearly a five-year low against its U.S. counterpart on Tuesday, hurt by domestic political unrest as well as a wider gap between Canadian and U.S. bond yields after data showed a surprise easing of Canadian inflation.

Bitcoin rose as high as \$108, 379.28, trading near the \$110,000 mark, before paring gains and was up 0.72% to \$106,846.00.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI y/y	GBP	2.6%	2.3%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	84.99	84.70	84.30	85.10	85.50	BULLISH
EURINR FUTURE	89.18	88.75	88.30	89.90	90.50	BEARISH
GBPINR FUTURE	107.81	107.0	106.10	108.15	108.80	BULLISH
JPYINR FUTURE	56.04	55.80	54.80	56.60	57.30	BEARISH

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