

KEY HEADLINES:

The Indian rupee spot against the US dollar end sharply higher after 4-days of record low to mark best daily gain of last 2-months on Wednesday, thanks to sharp intervention by central bank supported by weakness in dollar index & Crude oil prices, however, gain cap by increased hedging activity, uncertainty over trade deal and foreign outflows from equity as well bonds makes.

The rupee at NSE Future 29 Dec-25. ended gain by 55 paise at 90.50 against previous close of 91.05 and after make low of 89.73 and high of 91.20. The currency had declined nearly 2% over December before the RBI's intervention.

Bringing down India's debt to GDP ratio will be the core priority for the government from the next fiscal year, which begins on April 1, Indian Finance Minister Nirmala Sitharaman said on Wednesday. The high debt to GDP ratio in some Indian states is a cause of "worry", she said.

India's central bank governor Sanjay Malhotra expects the country's interest rates to remain low for a "long period", he told the Financial Times in an interview published on Wednesday. Malhotra said the RBI's economic forecast had not taken into account the potential effect of trade agreements currently under negotiation, which if sealed would raise India's economic growth. "The impact of the U.S. trade deal could be as much as about half a percentage point," he told the FT.

India's parliament on Wednesday approved a bill to raise foreign direct investment in the insurance sector to 100% from 74%, a move that will help insure more people in the world's most populous country. The increase in the FDI limit could boost investments and improve insurance penetration in the country, which stood at 3.8% of GDP in 2024, according to research firm Swiss Re Institute.

The rupee is one of Asia's worst performers, having fallen over 6% against the dollar year-to-date, as steep U.S. tariffs of up to 50% on Indian goods crimp exports to its biggest market, taking the sheen off its equities for foreign investors.

In terms of portfolio outflows, India is one of the worst hit markets globally, with foreign investors' net selling of its stocks amounting to nearly \$18 billion so far this year. The weakness in portfolio investment has also coincided with a slowdown in foreign direct investment, adding to the pressure.

The European Central Bank is widely expected to hold interest rates on Thursday. The Bank of England, on the other hand, looks set for a knife-edge vote on interest rates this week with Governor Andrew Bailey expected to change his view and tip the balance for a cut.

The Bank of Japan is widely expected to raise interest rates on Friday, giving the yen an advantage over a dollar that could lose support if expected U.S. rate cuts emerge early next year. The Bank of England and European Central Bank are among central banks making monetary policy decisions this week. Markets have almost fully priced in a Bank of England cut as inflation finally shows signs of easing while the ECB is expected to leave rates unchanged.

Fed funds futures are pricing an implied 73.4% probability of a hold in rates at the U.S. central bank's next meeting on January 28, up from nearly 70% a week ago, according to the CME Group's FedWatch tool.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

Official Bank Rate	GBP	3.75%	4.00%	HIGH
Main Refinancing Rate	EUR	2.15%	2.15%	HIGH
CPI y/y	USD	3.1%	3.0%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	90.50	89.75	89.0	91.20	91.80	BULLISH
EURINR FUTURE	106.16	105.50	104.60	107.50	108.30	BULLISH
GBPINR FUTURE	120.66	120.40	119.60	121.40	122.30	BULLISH
JPYINR FUTURE	58.24	58.10	57.40	59.0	59.60	SIDEWAYS

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