

**KEY HEADLINES:**

The Indian rupee spot against the US dollar end 4<sup>th</sup> straight day at life time closing low to fall below 85 mark first time ever on Thursday, after US FED cut interest rate by 25 bps but scaling back of its rate cut projections for next year by 50 bps from 100 bps projected 3-months ago pressure Asian peers added by dollar index climb towards fresh 2-year high and widening trade deficit of India, sell off in equity turn into outflow pressure domestic currency. However, likely RBI intervention at lower level support rupee from sharp fall.

The rupee at NSE Future 27 Dec. ended down by 17 paise at 85.18 against previous close of 85.01 and after make low of 85.10 and high of 85.75. Central banks across emerging market countries scrambled to defend their struggling currencies as the Korean won dropped to its weakest level in 15 years, while the Indonesian rupiah hit a four-month low.

The dollar index has risen over 3% since the Nov. 5 election. 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. Despite the pressures, the rupee has fared better than most of its regional peers since then, on the back of routine interventions by the Reserve Bank of India. The local unit is down 0.9%, while its peers have weakened between 1.8% and 4.4%.

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 on Thursday edged back from a two-year peak hit the prior session after the Federal Reserve signaled a much slower pace of rate cuts in 2025, while the yen slid after the Bank of Japan stood pat on rates. Currencies around the world tumbled on Wednesday after the Fed decision sent yields higher and boosted the dollar, although many rebounded on Thursday in choppy trading conditions with thin volumes ahead of the holiday period.

The pullback in the dollar subsided after the final read on U.S. third quarter GDP showed the economy grew at a 3.3% annual rate, stronger growth than the prior reading of 3.0% and economists' average forecasts of 3.1%. The number validated the Federal Reserve's cautious new take-it-slow approach to easing, as did a bigger-than-expected

fall in the number of applications for unemployment insurance to 220,000 last week.

The dollar index was last down 0.23% after jumping more than 1% on Wednesday to 108.25, its highest level since November 2022. The dollar rose 1.51% against the yen to 157.13, trading at its highest levels since July. The euro , which tumbled 1.34% on Wednesday, managed to claw back some losses and was last 0.48% higher at \$1.0402. Sterling dipped after the announcement and was last up 0.16% at \$1.2593 , having climbed as much as 0.7% earlier in the day after shedding 1.1% in the previous session. China's onshore yuan finished the domestic session at 7.2992 per dollar, the weakest close since November 2023.

The week has been chockablock with the last central bank policy meetings of 2024. The BOJ kept interest rates steady as expected, but the yen fell sharply as Governor Kazuo Ueda gave little away in a post-meeting press conference.

The Bank of England held interest rates at 4.75% as expected on Thursday, but the pound fell after three policymakers voted for a cut, surprising investors who had expected only one official to opt for a reduction.

The kiwi dropped to a two-year low before also ticking up. Data on Thursday showed that New Zealand's economy sank into a recession in the third quarter.

The Swedish and Norwegian crowns both rebounded against the dollar on Thursday, after Sweden cut rates but Norway held them steady.

U.S. rate futures price in a more than 90% chance that the Fed will hold rates at its January meeting

Bitcoin retreated from recent highs. The world's largest cryptocurrency fell 2.06% to \$104,227.

### **Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact
Retail Sales m/m	GBP	0.5%	-0.7%	HIGH
Core PCE Price Index m/m	USD	0.2%	0.3%	HIGH

Revised UoM Consumer Sentiment	USD	74.1	74	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.18	84.70	84.30	85.20	85.80	BULLISH
EURINR FUTURE	88.68	88.30	87.50	89.20	89.90	BEARISH
GBPINR FUTURE	107.74	107.0	106.10	108.10	108.75	BULLISH
JPYINR FUTURE	55.02	55.0	54.50	56.0	56.60	BEARISH

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