

KEY HEADLINES:

The Indian rupee spot against the US dollar end marginally higher on Monday, thanks to fall in dollar index which boost Asian peers as well domestic currency ahead of US President elect inauguration while gain in domestic equity also offer some support to rupee. However, gain capped by Rally in dollar index & US Treasury yield in last days and expected to gain post new president inauguration, outflow concern after last few weeks sell off in domestic equity and widening trade deficit all pressure rupee at higher level.

The rupee at NSE Future 29 Jan-25. ended gain by 4 paise at 86.63 against previous close of 86.67 and after make low of 86.53 and high of 86.64. Most Asian currencies were mostly higher between 0.1% and 0.7%. The offshore yuan rose to a two-week high buoyed by a friendly call between US elected president and Chinese President on Friday and better-than-expected fourth-quarter Chinese economic data.

The dollar-rupee pair's implied volatility, a gauge of future expectations, has risen to a multi-month high across tenors. The 1-month implied volatility rose to a peak of 4.3% on Monday, its highest level since August 2023.

Overseas investors have net sold about \$6.5 billion of local stocks and bonds in January so far, the steepest monthly outflow since October 2023.

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 dollar took a dive on Monday after U.S. President-elect was quoted as saying he will not impose trade tariffs straight after his inauguration, which is set to take place later in the session. Trump will issue a broad trade memo on Monday that stops short of imposing new tariffs on his first day in office, the Wall Street Journal reported on Monday. An official for the incoming administration confirmed the report.

Market participants had been expecting Trump to announce trade tariffs via executive orders. Such a move would have increased expectations for a large-scale campaign,

rising inflation and higher-for-longer Federal Reserve policy rates.

The dollar index, which measures the U.S. currency against six others, fell by as much as 1.3% and was last down 1% at 108.23. It hit a 26-month high last week of 110.17. Trading volume was lighter than usual due to U.S. markets being closed for the Martin Luther King Jr. Day holiday. The euro rose 1.3% to \$1.04. It hit a two-year low of \$1.0177 last week. Meanwhile, the Chinese yuan strengthened by 1% on the day to trade at 7.267 , its highest since mid-December.

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.

Donald Trump's newly created cryptocurrency soared on Monday to more than \$10 billion in market value as he took office for his second term as U.S. president, drawing in billions in trading volume, while bitcoin's price hit a record high hours ahead of Trump's return to the White House.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Claimant Count Change	GBP	10.3k	0.3k	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.63	86.30	85.80	86.90	87.50	BULLISH
EURINR FUTURE	89.41	89.0	88.30	89.70	90.20	SIDEWAYS
GBPINR FUTURE	105.62	105.0	104.10	106.20	106.80	BEARISH
JPYINR FUTURE	55.78	55.30	54.75	56.0	56.40	BULLISH

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