

## **KEY HEADLINES:**

The Indian rupee spot against the US dollar ended almost flat, erasing early gain on Tuesday, under pressure by gain in dollar index after US new president said thinking to impose tariff on Canada & Mexico, recover dollar index sharply from previous day lower level added by sell off concern after sharp sell off seen in domestic equity market and ahead of Union budget. However, downside capped by likely central bank intervention.

The rupee at NSE Future 29 Jan-25 ended down by 4 paise at 86.67 against previous close of 86.63 and after making low of 86.36 and high of 86.69.

U.S. President Donald Trump refrained from imposing tariffs on his first day in office on Monday, sending the dollar sharply lower, but later said he is considering a 25% levy on imports from Canada and Mexico, sparking a recovery in the greenback. U.S. bond yields were lower on the day but managed to trim their decline, with the 10-year Treasury yield recovering to 4.57% after hitting a near three-week low on Tuesday.

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 U.S. dollar rose on Tuesday, recovering from its biggest daily percentage drop in 14 months after President Donald Trump suggested the U.S. could impose tariffs on Canada and Mexico by Feb. 1, countering expectations he might take a gradual approach.

Trump told reporters he was thinking about implementing tariffs of around 25% on imports from Canada and Mexico at the start of February over illegal immigrants and fentanyl crossing into the country. He also raised the possibility of a universal tariff but said the U.S. was "not ready" for that yet. The dollar fell sharply on Monday after Trump's first day in office passed with no specific plans on tariffs and officials said any new taxes would be imposed in a measured way, a major relief for trade-exposed

currencies.

The dollar index, which measures the dollar against a basket of currencies, rose 0.32% to 108.33 after dropping 1.24% on Monday. It was up as much as 0.68% earlier in the session. The euro was down 0.22% at \$1.0391. The EU is also seen as a likely target for Trump's tariff policies. Sterling weakened 0.26% to \$1.2291. The Canadian dollar weakened 0.8% versus the greenback to C\$1.44 per dollar while the Mexican peso was down 0.86% versus the dollar at 20.698. Against the Japanese yen , the dollar weakened 0.11% to 155.42. The dollar strengthened 0.23% against the offshore Chinese yuan to 7.278. Trump has threatened China with tariffs of up to 60% but did not detail any plans on Monday.

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
ECB President Lagarde Speaks	EUR			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	89.79	89.0	88.30	90.20	91.0	BULLISH
GBPINR FUTURE	106.11	105.50	105.0	106.40	107.0	SIDEWAYS
JPYINR FUTURE	55.85	55.30	54.75	56.0	56.40	BULLISH

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