

KEY HEADLINES:

The Indian rupee spot against the US dollar ended lower, snapping last 3-session winning streak on Monday, pressure by dollar demand from importer banks & trade deal uncertainty & firm Crude oil prices keep pressure on rupee, against intervention by central bank & weakness in dollar index support at lower level.

The rupee at NSE Future 29 Dec-25. ended lower by 3 paise at 89.75 against previous close of 89.72 and after a low of 89.42 and high of 89.81. Dollar-rupee forward premiums extended gains, with the one-month premium surging to 47 paise and the one-year implied yield jumping about 20 basis points to 3.05%, both at multi-year highs. Concerns over excess dollar liquidity have reflected in last-day December/first-day January swap points rising over 14 paise on Monday.

India's interest-rate panel has indicated that a potential moderation in growth next year, alongside subdued inflation, could open space for more rate cuts, minutes of the December meeting showed on Friday. The six-member monetary policy committee cut the key repo rate by 25 basis points to 5.25% earlier this month, taking cumulative cuts in 2025 to 125 basis points – the most aggressive easing since 2019. The panel retained a "neutral" policy stance, with five members backing it and one voting for a shift to an "accommodative" stance. At the policy, the central bank raised its GDP forecast for the current fiscal year to 7.3% from 6.8%, while lowering its inflation projection to 2% from 2.6%. However, it lowered the GDP forecast for first half of next year to 6.7%-6.8%.

The Reserve Bank of India sold a net \$11.88 billion in the foreign exchange market in October, data released on Monday showed, reflecting the central bank's efforts to support the rupee. The RBI said in its monthly bulletin that it purchased \$17.69 billion dollars and sold \$29.56 billion during the month. In September, the central bank had net sold \$7.91 billion in the spot market. The RBI's net outstanding forward sales stood at \$63.61 billion as of end-October, up from \$59.41 billion at the end of the prior month, the data showed. The central bank intervenes in the spot and forward markets to curb exchange rate volatility.

The Indian economy continued to hold up its strong growth momentum in November, helped by private and urban consumption demand, the Reserve Bank of India said in its monthly bulletin on Monday. "Demand conditions remained robust, with indicators of urban demand strengthening further," the RBI report said. "High-frequency indicators suggest that overall economic activity held up in the post-festival month of November."

"Coordinated fiscal, monetary and regulatory policies have helped to build resilience over the year," the RBI said.

India's infrastructure output rose 1.8% year-on-year in November led by strong cement and steel production, government data showed on Monday. The index, which tracks activity across eight sectors and makes up 40% of the country's industrial production, was revised downwards for October to a decline of 0.1% from flat.

New Zealand and India said on Monday they had concluded talks on a free trade deal that would help to double bilateral trade over the next five years. The agreement will eliminate or reduce tariffs on 95% of New Zealand's exports to India with more than half of the products to be duty free on day one of the pact, while all Indian goods would have duty free-access to New Zealand. New Zealand also agreed to invest \$20 billion in the Asian country in the next 15 years. Two-way trade between the two countries totalled about \$1.81 billion in 2024, dominated by pharmaceuticals from India and forestry and agricultural products from New Zealand. The size of the trade between the nations is dwarfed by India's total goods trade which exceeded \$1 trillion in the 2024-25 financial year (April-March). The Indian government said the free trade deal excluded market access to dairy, coffee, milk, cream, cheese, yoghurt, whey, caseins, onions, sugar, spices, edible oils and rubber, to protect its farmers and domestic industry.

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.

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
Prelim GDP q/q	USD	3.2%	3.8%	HIGH



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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	89.75	89.25	88.80	90.30	91.0	SIDEWAYS
EURINR FUTURE	105.37	104.80	104.0	105.80	106.50	SIDEWAYS
GBPINR FUTURE	120.64	119.70	119.0	121.40	122.30	BULLISH
JPYINR FUTURE	57.11	56.90	56.40	58.0	59.0	BEARISH

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