

KEY HEADLINES:

The Indian rupee spot against the US dollar ended sharply higher on Wednesday, thanks to retreat in dollar index makes positive message from Asian peers, added by gain in domestic equity market and decline in forward premium support rupee through out the day. However, expected dollar index to remain northward after new US president tariff policy added by continue sell off by FPI in domestic equity as well bond concern outflow and ahead of Union budget uncertainty.

The rupee at NSE Future 29 Jan-25. ended strong by 28 paise at 86.39 against previous close of 86.67 and after make low of 86.32 and high of 86.64. The 1-year dollar-rupee implied yield dropped to 2.27%, its lowest level since July last year.

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 was flat on Wednesday after touching a new two-week low, as investors continue to await concrete announcements for U.S. President Donald Trump's tariff plans. Trump said late on Tuesday his administration was weighing imposing a 10% tariff on goods imported from China on Feb. 1, after he earlier said Mexico and Canada could face levies of around 25% by Feb. 1. He also promised duties on European imports, without providing further details.

The dollar index, which measures the greenback against a basket of currencies, rose 0.01% to 108.15, after it early dipped to 107.75, its lowest since Jan. 6. The euro was down 0.1% at \$1.042. Sterling weakened 0.23% to \$1.2326. The Mexican peso strengthened 0.42% versus the dollar at 20.547. The Canadian dollar was down 0.44% versus the greenback to C\$1.44 per dollar. China's yuan weakened 0.12% against the greenback to 7.278 per dollar in offshore trading, after pushing to the strongest level

since Dec. 11 on Tuesday.

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. Markets are pricing in a roughly 93% chance for a cut of at least 25 basis points from the ECB at its policy meeting next week.

Against the Japanese yen , the dollar strengthened 0.42% to 156.16. Markets are pricing in an 88% chance of a rate hike for at least 25 basis points at the Bank of Japan's meeting on Friday.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
President Trump Speaks	USD			HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.39	86.30	85.80	86.90	87.50	SIDEWAYS
EURINR FUTURE	90.28	89.70	89.0	90.30	91.0	BULLISH
GBPINR FUTURE	106.80	106.0	105.40	107.0	108.0	BULLISH
JPYINR FUTURE	55.41	55.30	54.75	56.0	56.40	SIDEWAYS

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