

KEY HEADLINES:

The Indian rupee spot against the US dollar ended at life time closing low to sustain below 85 mark on Monday, pressured by weakness in China Yuan, dollar demand from importer banks added by near 2-year high dollar index and recent sell off in equity turn into outflow which all 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 12 paise at 85.14 against previous close of 85.02 and after make low of 85.01 and high of 85.17. The offshore Chinese yuan declined to 7.30, down 0.2% on the day. Meanwhile, dollar-rupee forward premiums rose on Monday with the 1-year implied yield up 2 basis points at 2.24% while the 1-month forward premiums rose to 20 paise.

Trading volumes were likely to be thin in a holiday- shortened trading week as the year draws to a close.

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 advanced after a drop in the prior session while the euro edged lower on Monday, as market moves were being dictated by recent global central bank meetings that set expectations for diverging rate cut paths next year.

The dollar index , rose 0.37% to 108.19, holding near two-year highs, with the euro down 0.34% at \$1.0394.

Traders are pricing in 33 basis points of rate cuts next year, shy of the two 25-bp rate cuts the Fed projected last week. The market is not pricing in more than a 50% chance of a rate cut from the Fed until its May meeting, according to CME's FedWatch Tool.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Richmond Manufacturing Index	USD	-10	-14	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.14	84. 70	84.30	85.20	85.80	BULLISH
EURINR FUTURE	88.59	88.15	87.50	89.20	89.90	BEARISH
GBPINR FUTURE	106.93	106.40	105.95	107.80	108.25	SIDEWAYS
JPYINR FUTURE	54.42	54.40	54.0	55.10	56.0	BEARISH

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