

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower on Thursday, tracking weakness in Asian peers & dollar demand from foreign bank while 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 all makes rupee under check. However, likely central bank consistent intervention support rupee sharp from fall.

The rupee at NSE Future 29 Jan-25. ended down by 8 paise at 86.47 against previous close of 86.39 and after make low of 86.41 and high of 86.54. Most Asian currencies were weaker, with the Malaysian ringgit down 0.4% and leading losses.

U.S. President Donald Trump on Thursday said he would demand that interest rates drop immediately, and that other countries should follow suit - marking his first broadside at Federal Reserve monetary policymaking since taking office just three days ago.

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 hardly budged on Thursday as it held in a tight range after a sharp drop earlier in the week, with investors seeking clarity on expected tariffs from U.S. President and the path of interest rates from global central banks. The dollar is down more than 1% on the week, largely due to a sharp drop on Monday as widely expected tariff announcements from Trump failed to materialise after his inauguration. The dollar has moved only slightly in the sessions since.

The dollar index , which measures the greenback against a basket of currencies including the yen and the euro, rose 0.07% to 108.34, with the euro down 0.12% at \$1.0394. The dollar had climbed to a more than two-year high of 110.17 on Jan. 13 on a resilient U.S.

economy and expectations of widespread U.S. tariffs, which could weigh on the currencies of other countries. Sterling was unchanged at \$1.2316. The Mexican peso strengthened 0.48% versus the dollar at 20.42. The Japanese yen firmed 0.08% against the greenback to 156.38 per dollar.

Trump said this week that his administration was looking into 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 that date. He also promised duties on European imports, without providing details.

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 96% chance for a cut of at least 25 basis points from the ECB at its policy meeting next week.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
BOJ Policy Rate	JPY	0.50%	0.25%	HIGH
Flash Manufacturing PMI	EUR	45.6	45.1	HIGH
Flash Manufacturing PMI	USD	49.8	49.4	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.47	86.30	85.80	86.90	87.50	SIDEWAYS
EURINR FUTURE	90.07	89.70	89.0	90.30	91.0	BULLISH
GBPINR FUTURE	106.57	106.0	105.40	107.0	108.0	BULLISH
JPYINR FUTURE	55.44	55.25	54.70	56.0	56.40	SIDEWAYS

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