

## **KEY HEADLINES:**

The Indian rupee spot against the US dollar end at consecutive 6<sup>th</sup> day life time closing low to sustain below 85 mark on Tuesday, as rising US Bond yield & dollar index added by dollar demand from importer banks and recent sell off in equity might 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 29 Jan-25. ended down by 6 paise at 85.41 against previous close of 85.35 and after make low of 85.09 and high of 85.45. The 10-year U.S. Treasury yield rose to a near seven-month high of 4.59% on Monday and was little changed in Asia trading.

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

The Reserve Bank of India sold a net of \$9.28 billion in the spot foreign exchange market in October, data released as part of its monthly bulletin showed on Tuesday. The central bank said it purchased \$27.5 billion and sold \$36.78 billion during the month. It had bought a net of \$9.64 billion in the spot market in September. The RBI intervenes in the spot and forwards market to curb exchange rate volatility. The local currency had depreciated by 0.3% against the U.S. dollar in October and traded in a broad range of 83.79 to 84.0950. The RBI's net outstanding forward sale stood at \$49.18 billion as of October end, compared with a net sale of \$14.58 billion at the end of the previous month, the data showed.

The dollar index has risen over 2% so far this month, on course for its third consecutive monthly rise and 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 edged higher on Tuesday in thin holiday trading as the expected slower path

of interest rate cuts from the U.S. Federal Reserve compared with other global central banks continued to command market direction.

The greenback has jumped more than 7% since the end of September, powered in part by growing expectations the U.S. economy will see accelerated growth under policies from President-elect Donald Trump, while sticky inflation has dampened expectations on how aggressive the Fed will be in reducing interest rates.

The dollar index, which measures the greenback against a basket of currencies, rose 0.14% to 108.24, with the euro down 0.15% at \$1.0389. The index is on track for its fifth gain in the past six sessions. Sterling weakened 0.06% to \$1.2527. Against the yen , the dollar strengthened 0.1% to 157.34 as the Japanese currency remains near levels that have recently prompted Japanese authorities to intervene in an effort to support it.

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
Unemployment Claims	USD	223k	220k	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.41	85.10	84.70	85.650	86.0	BULLISH
EURINR FUTURE	88.83	88.60	88.0	89.75	90.50	BEARISH
GBPINR FUTURE	106.53	106.50	105.90	107.40	108.40	BEARISH
JPYINR FUTURE	54.91	54.50	54.0	55.75	56.50	BEARISH

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