

KEY HEADLINES:

The Indian rupee spot against the US dollar end at consecutive 3rd day record closing low to sustain below 85 mark on Wednesday, pressure by gain in US Bond yield & dollar index added by month end dollar demand from importer banks, widening trade balance and recent sell off in equity might turn into outflow which all make rupee under check from last few days. However, likely RBI intervention at lower level support rupee from sharp fall.

The rupee at NSE Future 29 Jan-25. ended down by 13 paise at 85.54 against previous close of 85.41 and after make low of 85.41 and high of 85.56.

The rupee's drop to 85 from 84 happened over two months, while the decline to 84 from 83 took nearly 14 months. Since slipping below the 84 handle in mid-October, the rupee has been falling gradually amid concerns over India's growth slowdown, foreign outflows, worries over U.S. President-elect Donald Trump's trade policies and a hawkish Federal Reserve. Persistent interventions from the Reserve Bank of India (RBI) have, however, kept the rupee's decline in check.

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

India's economy is expected to grow at around 6.5% in fiscal year 2024/25, closer to the lower end of its 6.5%-7% projection, as global uncertainties pose a dampening threat, according to the finance ministry's monthly economic report for November. The growth outlook for October to December appears bright, with rural demand remaining resilient and urban demand picking up in the first two months of the quarter. The outlook is expected to be better in October-to-March than in the first six months of the financial year, it said. For the next financial year starting April 1, 2026, the report said, newer risks have emerged, such as uncertain global trade growth and a stronger U.S. dollar.

Indian banks' financial position has stayed robust, marked by the sustained expansion in loans and deposits, while their gross bad loan ratio has dropped to multi-year lows, a central bank report showed on Thursday. Banks' gross non-performing assets ratio (NPA), or the proportion of bad assets to total loans, slipped to an over-13-year low of 2.5% at end of September from 2.7% at end-March, the Reserve Bank of India (RBI) said in its 'Trend and Progress of Banking' report.

The U.S. dollar edged higher on Thursday on expectations the currency would be boosted

next year by policies by the incoming Donald Trump administration that are expected to boost growth and lift inflation.

Looser business regulations and tax cuts are expected to help propel U.S. growth next year while that a clamp-down on illegal immigration and the prospect of new tariffs on trading partners could increase price pressures, and weigh on the economy longer term. That has boosted the dollar against its peers, though there remains a lot of uncertainty over exactly what policies will be introduced and what their impact will be.

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 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.

Data on Thursday showed that the number of Americans filing new applications for jobless benefits dipped to the lowest in a month last week, consistent with a cooling but still-healthy U.S. labor market.

The dollar index was last up 0.13% at 108.25. It is holding just below a two-year high of 108.54 reached on Friday. The euro slipped 0.06% to \$1.0398. The single currency fell to \$1.03435 on Friday, the lowest since Nov. 22. The greenback gained 0.31% to 157.89 Japanese yen . It peaked at 157.93 on Friday, the highest since July 17.

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.

In cryptocurrencies bitcoin fell 2.78% to \$95,688.00.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Crude Oil Inventories	USD	-0.7M	-0.9M	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.54	85.10	84.70	85.65	86.0	BULLISH
EURINR FUTURE	89.0	88.60	88.0	89.75	90.50	BEARISH
GBPINR FUTURE	107.02	106.40	105.90	107.40	108.40	BEARISH
JPYINR FUTURE	54.58	54.45	54.0	55.0	55.75	BEARISH

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