

KEY HEADLINES:

The Indian rupee spot against the US dollar end lower on Monday, pressure by outflows concern after sharp sell off in domestic equity, while uptick in dollar index & fall in Asian peers also weigh on rupee ahead of Union Budget this week end. However, likely central bank consistent intervention support rupee from sharp fall.

The rupee at NSE Future 25 Feb-25. ended down by 1 paise at 86.47 against previous close of 86.46 and after make low of 86.45 and high of 86.68.

The Reserve Bank of India's unexpected purchase of government bonds pushed down bond yields on Monday and raised bets for a cut in interest rates in February. The central bank's bond purchases accompanied daily overnight repo auctions. Both operations boost the quantity of money in the banking system. The RBI net bought bonds worth 101.75 billion rupees (\$1.18 billion) in the week to Jan. 17, its first such bond purchase in over three years.

The Fed this week is widely expected to make no changes to the policy rate and with no new projections on inflation and rates due at this meeting, the focus will be on Fed Chair Jerome Powell's presser. Other side ECB on Thursday expected to deliver 25 basis points cut.

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 Japanese yen and the Swiss franc gained against major currencies on Monday amid a selloff in technology stocks as markets weighed the implications of a Chinese startup launching a free open-source artificial intelligence model.

China's DeepSeek rolled out a free AI assistant that it says uses lower-cost chips and less data, seemingly challenging a widespread bet in markets that AI will drive demand along a supply chain from chipmakers to data centres.

The dollar index , which measures the greenback against a basket of currencies including the yen and the euro, fell 0.34% to 107.30, after dropping to its lowest since mid-December. The euro was up 0.09% at \$1.0502. The benchmark 10-year Treasury note dropped 6 basis points to a one-month low of 4.561% as investors rushed into safe-haven assets and government bonds. The Japanese yen rose 0.95% to 154.56 against the dollar after tightening up to 153.71, its strongest since mid-December. The Swiss franc rose 0.57% against the greenback to \$0.90105.

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.

Bitcoin fell 3.33% to \$101,601.14, but still traded near the record high of \$109,071.86 touched last week. Ethereum declined 5.78% to \$3,136.05.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Durable Goods Orders m/m	USD	0.3%	-1.2%	HIGH
CB Consumer Confidence	USD	105.7	104.7	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.47	86.40	85.90	86.90	87.50	SIDEWAYS
EURINR FUTURE	90.85	90.40	89.70	91.0	91.70	BEARISH
GBPINR FUTURE	107.95	107.50	106.60	108.30	109.0	BULLISH
JPYINR FUTURE	57.0	56.40	55.80	57.70	58.50	SIDEWAYS

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