

KEY HEADLINES:

The Indian rupee spot against the US dollar ended lower to register its worst daily fall in nearly 2-weeks on Tuesday, pressure by trade tariffs comments by US president boosted dollar index & sell off seen in Asian peers along with domestic rupee added by outflows concern after sell off in domestic equity ahead of Union Budget and FOMC / ECB meeting this week. However, likely central bank consistent intervention support rupee from sharp fall.

The rupee at NSE Future 25 Feb-25. ended down by 28 paise at 86.75 against previous close of 86.47 and after making low of 86.61 and high of 86.76. Asian currencies were mostly weaker, with the offshore Chinese yuan down 0.4% at 7.28.

The dollar gained in early trade after the Financial Times reported that U.S. Treasury Secretary Scott Bessent has been pushing for new universal tariffs on U.S. imports to start at 2.5% and rise gradually by the same amount each month. On Monday, the dollar index had declined to an over five-week low of 106.96 amid a sell off in U.S. tech stocks.

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.

The U.S. dollar strengthened against the yen on Tuesday amid fresh tariff threats from the Trump administration and as concerns over the emergence of a low-cost Chinese artificial intelligence model faded.

US President said on Monday he planned to impose tariffs on imported computer chips, pharmaceuticals and steel in an effort to persuade the producers to make them in the United States.

The dollar index , which measures the greenback against a basket of currencies including the yen and the euro rose 0.05% to 107.85. The dollar strengthened 0.65% to 155.5 against the Japanese yen , on course to snap three straight sessions of losses. Against the Swiss franc , the dollar strengthened 0.24% to 0.904, on track to snap two consecutive days of declines. The euro fell 0.51% at \$1.0437. Sterling weakened 0.44% to \$1.2441, while the Canadian dollar weakened 0.07% versus the greenback to C\$1.44 per dollar.

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.

In cryptocurrencies, bitcoin gained 1.91% to \$103,286.86. Ethereum rose 1.32% to \$3,202.08.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
BOE Gov Bailey Speaks	GBP			HIGH
Federal Funds Rate	USD	4.50%	4.50%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.75	86.40	85.90	86.90	87.50	BULLISH
EURINR FUTURE	90.52	90.40	89.70	91.0	91.70	BEARISH
GBPINR FUTURE	107.75	107.40	106.60	108.30	109.0	BULLISH
JPYINR FUTURE	56.88	56.40	55.80	57.70	58.50	SIDEWAYS

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