

KEY HEADLINES:

The Indian rupee spot against the US dollar ended higher, snapping 3-days fall in thin volumes on Tuesday, thanks to inflows regarding Index-rebalancing & likely central bank intervention support rupee. Gain seen limited due to month end dollar demand from OMC as well importer banks added by trade deal uncertainty and outflow concern.

The rupee at NSE Future 28 Jan-26. ended higher by 30 paise at 90.07 against previous close of 90.37 and after make low of 89.96 and high of 90.36. Dollar/rupee forward premiums eased again, with the one-year implied interest rate down about 10 basis points to 2.71%. The pullback followed the central bank's plan for a \$10 billion buy/sell swap and a drop in rollover costs from Dec. 31 to Jan. 1.

The U.S. Federal Reserve agreed to cut interest rates at its December meeting only after a deeply nuanced debate about the risks facing the U.S. economy right now, according to minutes of the latest two-day session. Even some of those who supported the rate cut acknowledged "the decision was finely balanced or that they could have supported keeping the target range unchanged," given the different risks facing the U.S. economy, according to the minutes released on Tuesday. In economic projections released after the December 9-10 meeting, six officials outright opposed a cut and two of that group dissented as voting members of the Federal Open Market Committee. The Fed next meets on January 27-28, with investors currently expecting the central bank to leave its benchmark rate unchanged.

The U.S. dollar was headed for its worst annual performance in more than two decades as investors wagered the Federal Reserve would have room to cut rates further next year even as rate outlooks for its peers diverge.

The rupee is one of Asia's worst performers, having fallen over 6% against the dollar year-to-date, as steep U.S. tariffs of up to 50% on Indian goods crimp exports to its biggest market, taking the sheen off its equities for foreign investors.

In terms of portfolio outflows, India is one of the worst hit markets globally, with foreign investors' net selling of its stocks amounting to nearly \$18 billion so far this year. The weakness in portfolio investment has also coincided with a slowdown in foreign direct investment, adding to the pressure.

The dollar advanced on Tuesday ahead of the release of minutes from the Federal

Reserve's December meeting, as investors attempt to gauge the path of monetary policy.

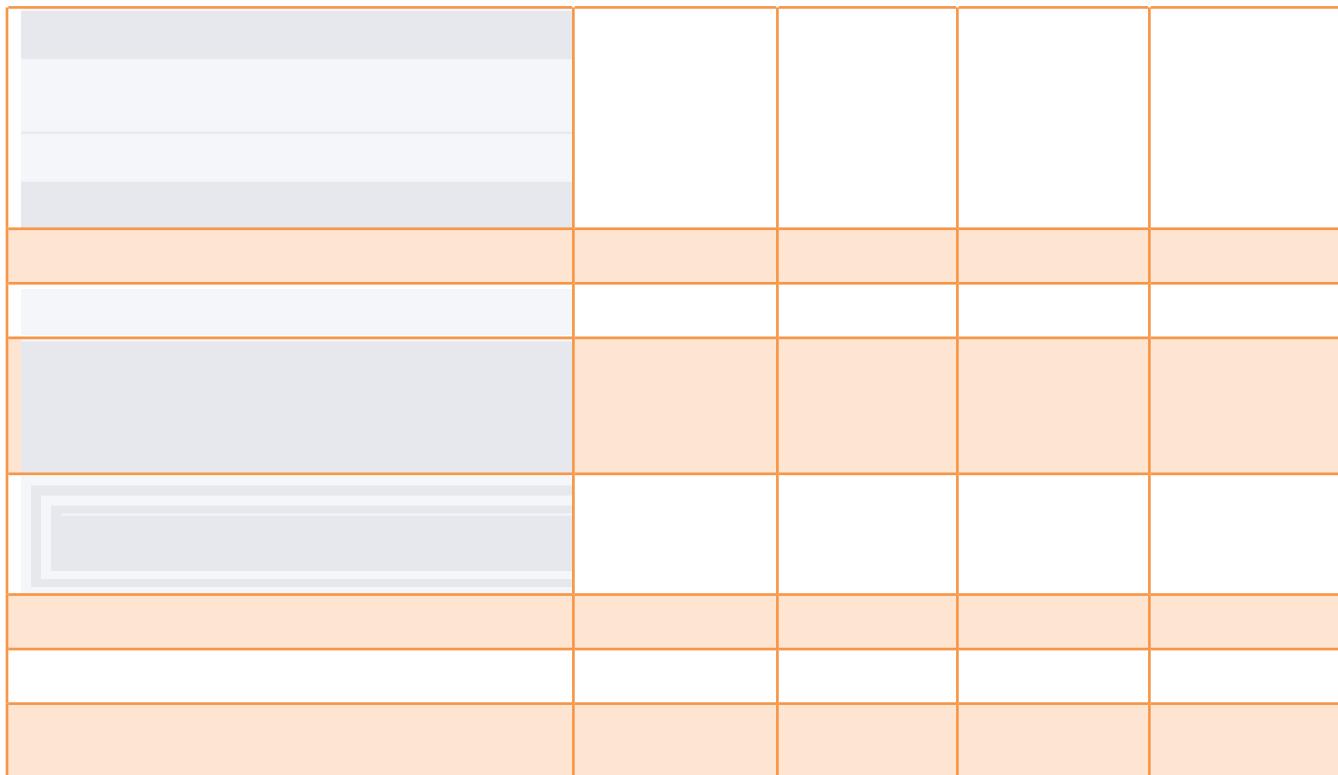
The dollar index , which measures the greenback against a basket of currencies, rose 0.13% to 98.13, while the euro was down 0.08% at \$1.1762 on the day - but up more than 13% on the year. Sterling weakened 0.27% to \$1.3472 but is up nearly 8% against the dollar for 2025.

China's onshore yuan pierced the psychological level of seven to the dollar for the first time in 2-1/2 years, defying weaker central bank guidance, as exporters rushed to sell dollars at year-end. The yuan hit 6.987 per dollar , its strongest since May 2023. It has gained 4% against a weaker dollar since early April .

The report bolstered views that the Federal Reserve will hold off on cutting rates at its January meeting, with the odds currently at 87%, according to LSEG estimates. U.S. rate futures now expect the next Fed easing to occur in June, with two rate cuts of 25 basis points each priced in for 2026.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact



Support Resistance Levels - Currency Future: (NSE CUR - 28 Jan 26)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	90.07	89.80	89.30	90.70	91.50	SIDEWAYS
EURINR FUTURE	106.15	106.0	105.20	106.70	107.50	SIDEWAYS
GBPINR FUTURE	121.74	121.40	120.50	122.00	122.70	SIDEWAYS
JPYINR FUTURE	57.84	57.30	56.90	58.10	58.60	BEARISH

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