

KEY HEADLINES:

The Indian rupee spot against the US dollar continue its losing spree to end record closing low on Monday, tracking selloff in Asian peers, gain in US Bond yield added by dollar demand from importer banks, widening trade deficit in India and outflow concern after sharp fall in equity market makes rupee fall today. However, likely RBI intervention at lower level support rupee in today's trade.

Rupee mark 7th straight yearly fall in 2024 with most of its downside seen in last quarter of the year due to overseas factors like US new elected president expected policy, rally in dollar index as well US Bond yield while local factors also pressure few of them like slowing domestic growth, wider trade deficit and outflow concern after constant FPI selling in equities. However, likely RBI intervention at every lower level support rupee from sharp fall and manage to one of least affected currency against Asian peers.

The rupee at NSE Future 29 Jan-25. ended gain by 2 paise at 85.93 against previous close of 85.95 and after make low of 85.88 and high of 86.85.

Benchmark Indian equity indices, the BSE Sensex and Nifty 50 ended the day lower by 1.6% each. Foreign investors have sold \$1.1 billion of local stocks and bonds over January on a net basis so far, according to stock depository data.

The rupee Spot dropped 2.8% in 2024 to end the year at 85.6150 per U.S. dollar. It fared better than many of its Asian peers, which declined between 3% and 12% due to the dollar's strength and multiple twist and turns in the outlook on U.S. policy rates. The rupee was only marginally weaker at the end of September. But it slid nearly 2.2% in the last quarter and hit multiple record lows, with the lifetime low of 85.8075 coming just few days ago on Dec. 27.

Foreigners have taken out \$11.7 billion from Indian equities in the December quarter, compared with inflows of about \$12 billion in the first nine months. Tepid capital flows have also been a pain point for the rupee, foreign investors logged net purchases of only \$124 million of Indian equities in 2024, down from \$20.7 billion in 2023. As the rupee slid, the forex reserves reflect the RBI's efforts to support the currency. India's forex reserves are now down \$60.5 billion from their record-high levels.

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 U.S. dollar was lower on Monday in volatile trading after conflicting reports about how aggressive President-elect Donald Trump's planned tariffs would be when he takes office. The dollar dropped as much as 1.07% on the session against a basket of major currencies after the Washington Post reported that Trump's aides were exploring plans that would apply tariffs to every country - but only on sectors seen as critical to national or economic security, easing concerns about harsher and wider levies.

The dollar index , which measures the greenback against a basket of currencies, fell 0.59% to 108.32, with the euro up 0.68% at \$1.0379. The dollar index had reached a two-year high of 109.54 last week. The Chinese yuan strengthened 0.26% against the greenback to 7.341 per dollar. The dollar reached a 26-month high against the currency last week as China is seen as one of Trump's major tariff targets. Against the Japanese yen , the dollar firmed 0.2% to 157.58 while sterling strengthened 0.64% to \$1.2499.

U.S. economic data showed new orders for U.S.-manufactured goods fell in November while business spending on equipment appeared to have slowed in the fourth quarter.

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. 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.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
ISM Services PMI	USD	53.5	52.1	HIGH
JOLTS Job Openings	USD	7.73M	7.74M	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.93	85.45	85.10	86.10	86.60	BULLISH
EURINR FUTURE	89.27	88.35	87.50	89.70	90.50	BEARISH
GBPINR FUTURE	107.34	106.40	105.70	108.35	109.0	BEARISH
JPYINR FUTURE	54.60	54.0	53.50	55.20	55.75	BEARISH

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