

KEY HEADLINES:

The Indian rupee spot against the US dollar ended higher on consecutive 2nd day on Wednesday, thanks to dollar sales from state run banks, fall in Crude oil prices and subdued dollar index. However gain seen limited on outflows concern along with trade deal uncertainty and fresh threat from U.S President to increase tariff.

The rupee at NSE Future 28 Jan-26. ended higher by 23 paise at 90.03 against previous close of 90.26 and after making low of 89.75 and high of 90.34. Before the central bank intervention in last 2-days, the rupee had fallen about 1% over the past two weeks.

India's economic growth is estimated to surge past most initial private and official forecasts, backed by robust domestic demand and government spending, helping New Delhi cope with punitive U.S. tariffs. India economy is expected to grow 7.4% in the fiscal year ending in March, the National Statistics Office said on Wednesday, above the government's initial projection of 6.3%-6.8%. The estimate of gross domestic product, which will be revised over time as data coverage improves, will be used as a base for the federal budget due to be announced on February 1. The Indian economy grew 6.5% in 2024/25 and 9.2% in 2023/24.

UBS Investment Bank expects the Indian rupee to weaken to 92 per U.S. dollar by March, making the case that any relief from a potential U.S.-India trade deal announcement would likely be undermined by the central bank replenishing foreign exchange reserves. From near 90 per dollar levels currently, UBS's forecast implies a roughly 2% depreciation over three months, well beyond the March forward rate that's near 90.55 and a marked change from its November 2024 call of 87.

The rupee closed 2025 marking with a 4.72% decline for the year, its worst showing since 2022, when it dropped nearly 10%. Over the near term market participants are monitoring equity flows to assess whether the year shapes up differently from 2025, when foreign investors pulled out record amounts from the local stock market. An improvement in equity flows would be key to alleviating dollar demand-supply pressures that hurt the rupee in 2025.

A dismal year for the U.S. dollar is ending with signs of stabilization, but it is to be believed the currency's decline will resume next year as global growth picks up and the Fed eases further. The U.S. dollar slumped more than 9% this year, against a basket of currencies, its worst showing in 8- years, driven by expectations of Federal Reserve rate

cuts, shrinking interest rate differentials with other major currencies, and as concerns about U.S. fiscal deficits and political uncertainty swirled. The dollar typically falls when the Fed cuts rates as lower U.S. interest rates make dollar-denominated assets less attractive to investors, reducing demand for the currency.

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 traded flat against major currencies including the yen and euro on Wednesday as investors assessed a batch of U.S. labor market data and its monetary policy implications.

The U.S. monthly employment report, due on Friday, will be key in shaping expectations for the outlook for monetary policy - an arguably weightier factor for the dollar.

The dollar was up slightly by 0.06% to 0.796 against the Swiss franc and edged lower by 0.06% to 156.56 against the Japanese yen . The dollar index , which measures the greenback against a basket of currencies including the yen and the euro, rose 0.04%.

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.

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	90.03	89.75	89.30	90.70	91.50	SIDEWAYS
EURINR FUTURE	105.39	105.10	104.50	106.20	106.70	BEARISH
GBPINR FUTURE	121.53	120.90	120.0	122.70	123.50	SIDEWAYS
JPYINR FUTURE	57.80	57.30	56.90	58.10	58.60	BEARISH

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