

KEY HEADLINES:

The Indian rupee spot against the US dollar hit lifetime low again on Wednesday, pressure by gain in dollar index as well US Bond yield makes Asian peers under pressure and muted equity and dollar demand from importer bank after previous day gain makes rupee under check. However likely central bank intervention support rupee from sharp fall during the day.

The rupee at NSE Future 29 Jan-25. ended Down by 16 paise at 86.07 against previous close of 85.91 and after make low of 85.96 and high of 86.08. Asian currencies declined on Wednesday with the Indonesian rupiah down 0.4% and leading losses while the offshore Chinese yuan dipped to 7.34.

The benchmark 10-year U.S. Treasury yield rose to as high as 4.73%, its highest since April 2024, building on Tuesday's 7 basis point rise. It was last up 0.4 basis points to 4.689%.

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 rose for a second straight session on Wednesday as U.S. bond yields continued their recent advance, following a report that President-elect was contemplating the use of emergency measures to allow for a new tariff program.

The dollar index , which measures the greenback against a basket of currencies, rose 0.41% to 109.15, with the euro down 0.36% at \$1.0302. Sterling weakened 1.06% to \$1.2339 after falling to \$1.2321, its lowest level since April 22 and the second-weakest of the year. Against the yen , the dollar strengthened 0.22% to 158.36 and moved closer to the 160 level that has sparked Japanese authorities to intervene to support the currency.

U.S. private payrolls growth slowed sharply in December, the ADP National Employment Report showed on Wednesday. Private payrolls rose by 122,000 jobs last month after increasing by an unrevised 146,000 in November against Reuters had forecast private employment rising by 140,000. A slowdown in job growth is anticipated in December after being boosted in November by fading disruptions from hurricanes and strikes by factory workers at Boeing and another aerospace firm.

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.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI y/y	CNY	0.1%	0.2%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	86.07	85.80	85.45	86.15	86.60	BULLISH
EURINR FUTURE	88.86	88.30	87.50	89.70	90.50	BEARISH
GBPINR FUTURE	106.90	106.40	105.70	107.70	108.35	BEARISH
JPYINR FUTURE	54.70	54.0	53.50	55.20	55.75	BEARISH

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