

KEY HEADLINES:

The Indian rupee spot against the US dollar ended lower on Thursday, pressure by fresh tariff related threat, outflows concern and rally in dollar index towards 1-month high. However, likely central bank intervention & fall in Crude oil prices support at lower level.

The rupee at NSE Future 28 Jan-26. ended flat by 1 paise at 90.04 against previous close of 90.03 and after making low of 89.85 and high of 90.25.

India's finance ministry plans to scrap 5-year-old restrictions on Chinese firms bidding for government contracts, government sources said, as per reuters report, as India seeks to revive commercial ties in an environment of reduced border tensions. The curbs, imposed in 2020 after a deadly clash between the countries' troops, required Chinese bidders to register with an Indian government committee and obtain political and security clearances. The measures effectively barred Chinese firms from competing for Indian government contracts that were estimated to be worth \$700 billion to \$750 billion.

Trump said on Wednesday the 2027 U.S. military budget should be \$1.5 trillion, stoking some concerns about rising debt and a higher risk premium on U.S. assets.

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 edged higher against peer currencies including the Japanese yen on Thursday, as investors awaited Friday's crucial nonfarm payrolls report, which could help assess the U.S. labor market and the probable path of interest rates.

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 0.12% against against the Japanese yen at 156.925. The dollar index , which measures the U.S. currency against six rivals, was up 0.08% at 98.802 after hitting its highest since December 10. The euro was down 0.09% at \$1.1665 on Thursday, after dropping by 0.45% in the last two sessions. The dollar was up 0.06% to 0.798 against the Swiss franc .

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
CPI y/y	CNY	0.8%	0.7%	HIGH
Non-Farm Employment Change	USD	66K	64K	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	90.04	89.75	89.30	90.70	91.50	SIDEWAYS
EURINR FUTURE	105.24	105.0	104.40	106.20	106.70	BEARISH
GBPINR FUTURE	121.03	120.90	120.0	122.70	123.50	SIDEWAYS
JPYINR FUTURE	57.70	57.30	56.90	58.10	58.60	BEARISH

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