

KEY HEADLINES:

The Indian rupee weakened against the dollar on Monday, along with most other Asian emerging market currencies after recent U.S. data bolstered bets of another Federal Reserve rate hike. Importer-led dollar demand pulled the currency down from its intraday high.

The rupee at NSE Future 28 April ended weak by 8 paise at 82.07 against previous close of 81.99 and after make low of 81.86 and high of 82.08. USD/INR forward premiums continued their decline since the RBI held the policy rate steady last Thursday, with the 1-year implied yield down a further 7 bps to 2.41%. India's overnight indexed swap rates were pricing in interest rate cuts before the end of 2023. Most Asian currencies weakened, with the Chinese yuan and the Thai baht down between 0.1% and 0.4%.

Inflows over the next few days should be watched, as foreign investors turned net buyers of Indian equities this month and there is general optimism about the currency.

The dollar gained after a solid jobs report for March on Friday added to expectations that the Federal Reserve will hike rates again in May, while the Japanese yen weakened as Japan's new central bank governor indicated that he was in no hurry to dial back its massive stimulus. The dollar index was last up 0.67% against a basket of currencies at 102.68, the highest since April 3.

Investors now await U.S. March inflation figures and retail sales due on Wednesday and Friday, respectively, to gauge the Fed's policy path after strong labour data. The minutes of the U.S. central bank's March meeting, in which it hiked rates by 25 basis points (bps) but sounded dovish, will be released on Wednesday as well.

Fed funds futures traders are currently pricing in a 70% probability that the Fed will hike rates by an additional 25 basis points at its May 2-3 meeting.

India is likely to get "below normal" monsoon rains in 2023 with an increasing likelihood of El-Nino, which typically brings dry weather to Asia, private weather forecasting agency Skymet.

The key for the rupee and other emerging market currencies this year will be contingent on how the U.S. inflation and growth data shape up and how they affect the U.S. Federal Reserve rate expectations.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI y/y	CNY	1.0%	1.0%	HIGH
IMF Meetings	ALL			HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.07	81.85	81.0	82.40	83.10	BEARISH
EURINR FUTURE	89.42	89.0	88.0	90.10	91.0	BULLISH
GBPINR FUTURE	101.87	100.80	100.0	102.70	103.80	SIDEWAYS
JPYINR FUTURE	62.11	61.90	61.10	62.80	63.50	BEARISH

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