

KEY HEADLINES:

The Indian rupee extended its advance against the dollar on Wednesday, moving above the 82 level and inch above 81.50, almost at 1-month high powered mostly by offshore market participants and helped the non-deliverable forward (NDF) and onshore rates to almost converge. while weakness in dollar index which also fall towards 7-month low on expectations that the U.S. Federal Reserve could turn less hawkish also support rupee to appreciate.

The rupee climbed to a more-than-one-month high of 81.5950 to the dollar on Wednesday, adding to its 0.7% surge in the previous session when it breached the key 82.20-82.00 levels.

The near-maturity rates on NDF and onshore are now almost at par while in the 1-year maturity, the spread – which reflects foreign investors' expectations and usually widens in times of crisis – has declined to about 10 paise. In October, when the rupee was hovering at a record low of about 83.30, the 1-year spread was more than 90 paise.

The dollar was little changed on Wednesday versus the euro and other major currencies as traders held off from making big moves ahead of U.S. inflation data on Thursday, which may offer a clearer picture of where interest rates are headed. The dollar index , which measures the greenback against a basket of currencies, including the euro, dipped 0.068% to 103.18.

The World Bank on Tuesday slashed its 2023 growth forecasts to levels teetering on the brink of recession for many countries as the impact of central bank rate hikes intensifies, the Ukraine war continues, and the world's major economic engines sputter.

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. The markets are beginning 2023 on expectations that the Fed will further slow down its pace of rate hikes to 25 basis points when it meets next in February and start cutting rates later in the year in response to a slowing economy.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
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CPI y/y	USD	6.5%	7.1%	HIGH
30-y Bond Auction	USD			MEDIUM

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	81.70	81.25	80.90	82.55	83.20	BEARISH
EURINR FUTURE	87.88	87	86.20	88.80	90	SIDEWAYS
GBPINR FUTURE	99.11	98.85	98	100.40	101.60	BEARISH
JPYINR FUTURE	61.84	61.30	60.60	63	63.60	BEARISH

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