

KEY HEADLINES:

The Indian rupee extended its advance against the dollar on 6th day out of last seven on Thursday with marginal gain in absence of any fresh trigger and ahead of domestic as well US inflation data which will provide some clue for next interest rates decision and currency move also.

The rupee climbed to a more-than-one-month high of 81.62 at NSE Future 27 Jan contract on Thursday. However, Low forward premiums on the Indian rupee, triggered by a narrower interest rate differential between the U.S. and India, will make it difficult for the currency to rise much above current levels against the dollar.

The U.S. Federal Reserve's aggressive rate-hike cycle relative to the Reserve Bank of India last year has prompted U.S. and India interest rate differentials to decline, pushing forward premiums to levels not seen in over a decade.

India's annual retail inflation edged down from the previous month and remained within the central bank's comfort zone as annual retail inflation rose 5.72% in December from 5.88% in the previous month.

India's industrial output rose 7.1% in November compared to the same month a year earlier, data from the Ministry of Statistics showed.

The U.S. dollar tumbled to a nearly 9-month low against the euro on Thursday after U.S. inflation data indicated prices were on a sustained downward trend, lifting expectations that the Federal Reserve will be less aggressive going forward with rate hikes. The data showed that prices unexpectedly fell for the first time in more than 2-1/2 years in December. The U.S. dollar index was last down 0.407% at 102.7, its lowest level since June 9.

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
GDP m/m	GBP	-0.2%	0.5%	HIGH
Prelim UoM Consumer Sentiment	USD	60.8	59.7	MEDIUM

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	81.62	81.25	80.90	82	82.55	BEARISH
EURINR FUTURE	87.92	87	86.20	88.80	90	SIDEWAYS
GBPINR FUTURE	99.33	98.85	98	100.40	101.60	BEARISH
JPYINR FUTURE	62.46	61.85	61.30	63	63.60	SIDEWAYS

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