

KEY HEADLINES:

The Indian rupee declined on Monday, paring back earlier advances as weak risk sentiment owing to a U.S. lender's collapse saw equities fall and the dollar index recover marginally. The rupee, along with Asian currencies, had risen earlier on bets of a less aggressive Federal Reserve in light of the Silicon Valley Bank's. However, the dollar index later recovered some lost ground to trade above 104 levels, while global equities tumbled, with Indian shares reversing earlier gains to fall 1.5%.

The rupee at NSE Future fall by 8 paise to end at 82.31 against previous close of 82.23 and after make low of 81.90 and high of 82.37 during the day. The rupee forward premiums jumped tracking a fall in U.S. yields. The 1-year implied yield surged 15 bps to 2.30%, its highest since Feb. 2.

India's annual retail inflation eased to 6.44% in February, helped by a fall in the price of some food items. The February reading was higher than the 6.35% forecast by economists in a Reuters poll, and was above the upper band of the Reserve Bank of India's (RBI) 2%-6% target. Annual retail inflation was 6.52% in January.

The historical seasonality of March month favors rupee bulls as it has gained in 7 out of the last 10 years, the average gains pegged at 0.54%.

The dollar fell on Monday as markets bet the Federal Reserve will halt or trim its raising interest rates to curb inflation after U.S. authorities moved to limit the fallout from the sudden collapse of Silicon Valley Bank.

The two-year note's yield plunged 50.8 basis points to 4.080% in the biggest one-day drop since the financial crisis of 2008. The note was on track for its biggest three-day decline since the Black Monday stock market crash of 1987.

Futures are now pricing in a 25 bps hike at the U.S. central bank's March 21-22 meeting, after the probability of a 50 bps hike had jumped last week on Fed chair Jerome Powell's hawkish comments. Fed rate is seen peaking at just under 5%. As the banking crisis unfolds, Goldman Sachs analysts predicted the Fed would not raise rates next week.

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	USD	6.0%	6.4%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.31	81.80	81.30	82.60	83.45	BEARISH
EURINR FUTURE	87.83	87.25	86.50	88.65	87.50	BULLISH
GBPINR FUTURE	99.24	98.75	97.90	99.50	100.20	BULLISH
JPYINR FUTURE	61.77	61.10	60.60	62.10	63	BULLISH

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