

KEY HEADLINES:

The Indian rupee posted its worst performance against the dollar in five weeks on Tuesday, as fears of contagion from the collapse of Silicon Valley Bank (SVB) weighed on risk sentiment ahead of a key U.S. inflation data.

The rupee at NSE Future fall by 29 paise to end at 82.60 against previous close of 82.30 and after make low of 82.39 and high of 82.71 and marking its biggest percentage drop since Feb. 6 during the day. Across the region, Asian currencies and stocks fell as the dollar index rebounded on safe-haven bids, while U.S. bond markets steadied. Rupee premiums extended their rise, with one-year implied yield hitting a six-week high at 2.36%. Traders saw 2.40% as a key resistance level.

India's annual WPI eased to the lowest in over two years, as WPI in February eased to 3.85% yoy, compared with 4.73% in the previous month. It was below the Reuters forecast of 4%, and also marked the lowest since January 2021, when it recorded 2.51%.

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 edged higher on Tuesday as traders set aside a fairly strong reading of consumer price data and tried to gauge whether the Federal Reserve will hike interest rates next week after the collapse of two banks sparked widespread market unease. The dollar index, a measure of the dollar against six other currencies, rose 0.096% as Treasury yields jumped

After SVB's sudden collapse, markets have scaled back their bets on how much further the Fed would raise interest rates, as the central bank now has to balance between fighting inflation and managing stress in the financial sector. 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
Core PPI m/m	USD	0.4%	0.5%	HIGH
Core Retail Sales m/m	USD	-0.1%	2.3%	HIGH
Empire State Manufacturing Index	USD	-7.9	-5.8	HIGH
PPI m/m	USD	0.3%	0.7%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.60	82.25	81.80	82.75	83.45	BULLISH
EURINR FUTURE	88.56	88.15	87.25	88.70	89.50	BULLISH
GBPINR FUTURE	100.40	99.45	98.75	100.60	101.30	BULLISH
JPYINR FUTURE	61.84	61.10	60.60	62.10	63	BULLISH

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