

## KEY HEADLINES:

The Indian rupee hit a 1-month low on Wednesday, tracking its Asian peers, while forward premiums eased on worries over the U.S. Federal Reserve's interest rate hike trajectory.

The rupee at NSE Future fall by 5 paise to end at 82.88 against previous close of 82.83 and after make low of 82.83 and high of 82.97 during the day. Volumes on the interbank order matching system were around \$4.15 billion on Wednesday, their lowest this year, amid a range-bound movement in the currency. USD/INR forward premiums slipped, with the 1-year implied yield touching a six-week low of 2.06%.

Meanwhile, India's merchandise trade deficit in January hit its lowest in a year at \$17.75 billion as imports declined

The dollar rose to a six-week high against a currency basket on Wednesday after hotter-than-expected U.S. retail sales data last month, coming a day after a report showing stubbornly high U.S. consumer prices, suggesting that the Federal Reserve will keep monetary policy tight to curb inflation. The greenback also advanced to a fresh six-week peak versus the yen.

Data showed that U.S. retail sales surged 3.0% last month, increasing by the most in nearly two years. The numbers for December were unrevised to show sales dropping 1.1% as previously reported. Economists polled by Reuters had forecast sales would increase 1.8%, with estimates ranging from 0.5% to 3.0%.

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 |
|-----------|----------|----------|----------|--------|
| PPI m/m   | USD      | 0.4%     | -0.5%    | HIGH   |

|                                |     |       |       |        |
|--------------------------------|-----|-------|-------|--------|
| Philly Fed Manufacturing Index | USD | -7.6  | -8.9  | HIGH   |
| Housing Starts                 | USD | 1.35M | 1.38M | MEDIUM |
|                                |     |       |       |        |
|                                |     |       |       |        |
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|                                |     |       |       |        |

**Support Resistance Levels – Currency Future:**

| Currency      | LTP    | S1    | S2    | R1     | R2     | Trend    |
|---------------|--------|-------|-------|--------|--------|----------|
| USDINR FUTURE | 82.88  | 82.25 | 81.65 | 83.35  | 84     | BULLISH  |
| EURINR FUTURE | 88.89  | 88.60 | 88    | 89.35  | 90     | BULLISH  |
| GBPINR FUTURE | 100.10 | 99.60 | 99    | 100.80 | 101.80 | SIDEWAYS |
| JPYINR FUTURE | 62.33  | 62    | 61.40 | 62.70  | 63.10  | BEARISH  |

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