

## KEY HEADLINES:

The Indian rupee recorded its steepest drop in about two months on Tuesday, with traders blaming custodial outflows amid the volatility in equities ahead of the domestic budget and the U.S. Federal Reserve's meeting plus stop losses being triggered once the dollar index jumped in late afternoon trade.

The rupee fell to 81.92 per dollar, having slipped to the 82-handle during the session for the first time since Jan. 10. The currency declined 0.51% on the day, its biggest one-day loss since Dec. 6. For the month, the currency rose around 1%, but underperformed most of its Asian emerging market peers.

India's fiscal deficit for the nine months through December touched 9.93 trillion rupees (\$121.22 billion), nearly 60% of annual estimates, government data showed on Tuesday.

India forecast economic growth of 6% to 6.8% in the 2023/24 fiscal year, slowing from the 7% growth projected for the current year ending on March 31, as a global slowdown is likely to hurt exports.

India's budget presentation and the Federal Reserve's meeting on Feb. 1 are considered the next big trigger events. The U.S. central bank's rate decision will be significant for currency markets, with participants expecting a smaller 25-basis-points hike and a terminal rate of around 5%. Fed fund futures see only two more quarter-point rate hikes by the Fed to a peak of around 5% by June, before it starts cutting rates later in the year. The Federal Reserve itself has insisted it still has 75 bps of increases in the pipeline.

The dollar gave up gains made earlier on Tuesday after data showed U.S. labor costs increased less than expected in the fourth quarter, and before the Federal Reserve is expected to hike rates by 25 basis points on Wednesday. The dollar index was last little changed on the day against a basket of currencies at 102.24. It earlier rose to a two-week high of 102.61.

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
ADP Non-Farm Employment Change	USD	176K	235K	HIGH
ISM Manufacturing PMI	USD	48.0	48.4	HGH
JOLTS Job Openings	USD	10.28M	10.46M	HIGH
Federal Funds Rate	USD	4.75%	4.50%	HIGH

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.01	81.65	81	82.20	83	BULLISH
EURINR FUTURE	88.88	88.45	87.85	89.40	90.20	BULLISH
GBPINR FUTURE	101.0	100.45	99.40	101.50	102.50	BULLISH
JPYINR FUTURE	63.15	62.55	61.90	63.65	64.50	SIDEWAYS

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