

KEY HEADLINES:

The Indian rupee register weakness on Thursday against the greenback, after dollar buying from OMC added by overnight FED official comments about interest rates hike which help dollar to recover some ground added by short covering in domestic market.

The rupee finished the session at NSE Future market at 81.44 per dollar, recovering from trading near its wednesday's close of 81.33 after made high of 81.47 and low of 81.23. Rupee forward premiums jumped, with 1-year implied yield at a 2-month high of 2.35%.

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%.

The dollar slid on Thursday against major currencies in choppy trading as a slew of data continued to show that the U.S. economy was slowing down in the wake of multiple hefty rate hikes from the Federal Reserve, with the market anticipating a pause in tightening this year. The yen, on the other hand, rallied against the dollar as traders continued to bet the Bank of Japan (BOJ) will eventually shift away from ultra-loose monetary policy. The dollar index, which measures the U.S. currency against a basket of peers, was last flat to slightly lower at 102.28.

European Central Bank President Christine Lagarde on Thursday said inflation is far too high and that the ECB will keep raising interest rates.

At a two-day policy meeting, the BOJ kept intact its yield curve control (YCC) targets, set at -0.1% for short-term interest rates and around 0% for the 10-year yield, by a unanimous vote. It also made no change to its guidance that allows the 10-year bond yield to move 50 basis points either side of its 0% target.

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
ECB President Lagarde Speaks	EUR			HIGH
Existing Home Sales	USD	3.95M	4.09M	MEDIUM

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	81.44	80.90	80	82	82.55	BEARISH
EURINR FUTURE	88.19	87.50	87	88.50	89	BULLISH
GBPINR FUTURE	100.44	100	99.40	100.60	101.60	BULLISH
JPYINR FUTURE	63.42	63	62.25	63.75	64.25	BULLISH

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