

KEY HEADLINES:

The Indian rupee declined on Monday as relief from the Credit Suisse rescue deal proved to be short-lived, with investors dumping risk assets on worries over a contagion in the global financial sector. Asian stocks and currencies deepened losses as the session progressed as investor focus shifted to the massive hit some Credit Suisse (CS) bondholders would take under the UBS takeover deal due to the writedown of additional tier-1 (AT-1) capital debt.

AT-1 debt makes up part of the capital buffers that regulators require banks to hold to protect themselves in times of market turmoil. They can either be converted into equity or are written-off if a bank's capital level falls below a certain threshold.

The rupee at NSE Future ended flat at 82.69 against previous close of 82.69 and after make low of 82.57 and high of 82.83. lower U.S. bond yields supported rupee premiums, with the 1-year yield surging to 2.50% for the first time since October.

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 slid on Monday as investors reacted to UBS' cut-price takeover of its beleaguered rival Credit Suisse. UBS agreed to buy Credit Suisse on Sunday for 3 billion Swiss francs (\$3.23 billion) and assume up to \$5.4 billion in losses, in a shotgun merger engineered by Swiss authorities. The U.S. dollar index - which measures the currency against six major peers - was last down 0.501% at 103.270 the day after the merger was announced, touching its lowest level since Feb. 15.

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
ECB President Lagarde Speaks	EUR			HIGH
Existing Home Sales	USD	4.19M	4.00M	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.69	82.35	81.80	83.0	83.45	BULLISH
EURINR FUTURE	88.42	87.75	87.25	88.80	89.50	BULLISH
GBPINR FUTURE	100.92	100.15	99.45	101.35	102.30	BULLISH
JPYINR FUTURE	63.09	62.10	61.30	63.45	64	BULLISH

Technical Research Analyst

Mahesh Prakot

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate.
Walbhat Road, Goregaon (E), Mumbai – 400063 Web site:

<https://www.bonanzaonline.com>

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