

## **KEY HEADLINES:**

The Indian rupee hit a near 3-week high against the dollar on Wednesday, stronger by 10 paise after a stronger Chinese yuan sparked a rally in Asian currencies and sharp rebound in equity market help local currency.

The rupee at NSE Future gain by 10 paise to end at 82.71 against previous close of 82.81 and after make low of 82.60 and high of 82.84 during the day. In the spot market the currency near its 55-day moving average of 82.3514 and at its highest level since Feb. 10. The Chinese yuan rallied to 6.8880 per dollar after data showed factory activity in February grew at its fastest pace since April 2012, spurring hopes of a rebound in the world's second biggest economy. The Thai baht and the South Korean won led gains with a 1.3% jump.

The historical seasonality of March month favours rupee bulls as it has gained in 7 out of the last 10 years, the average gains pegged at 0.54%.

India's manufacturing sector expanded at the slowest pace in four months in February but remained relatively strong amid buoyant domestic demand, despite higher inflationary pressures, a private survey showed on Wednesday.

The U.S. dollar slid and China's yuan gained on Wednesday after Chinese manufacturing activity expanded at its fastest pace in a decade, while the euro rose after German inflation data surged last month and raised rate hike expectations in the euro zone.

The Dollar index rose nearly 3% in February, its first monthly gain after a four-month losing streak, as a slew of strong U.S. economic data in recent weeks raised market expectations that the Federal Reserve has further to go in hiking rates.

Traders of futures tied to the Fed's policy rate largely stuck to the view that the central bank will keep raising rates by a quarter of a percentage point at its next three policy meetings. They are still pricing the federal funds rate to reach 5.36% in July, and remain above 5% for the year.

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
	GBP	47.5	47.0	HIGH
CPI Flash Estimate y/y	EUR	8.3%	8.6%	HIGH

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.71	82.50	81.80	83.45	84	BEARISH
EURINR FUTURE	88.24	87.60	87	88.70	89.50	BEARISH
GBPINR FUTURE	99.51	98.90	98	100.20	100.70	BEARISH
JPYINR FUTURE	61.31	60.70	60	61.40	62.30	BEARISH

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