

## **KEY HEADLINES:**

The Indian rupee closed little changed on Wednesday, as U.S. dollar demand from oil companies and other importers eroded the impact of the dollar index hovering near a 3-month low. The rupee has largely been on the sidelines even as the greenback has retreated on hopes of Federal Reserve rate cuts next year.

The rupee at NSE Future 29 Dec. ended gain by 2 paise at 83.36 against previous close of 83.38 and after make low of 83.31 and high of 83.37. among Asian peers, China's onshore yuan finished the domestic session at 7.1246 per dollar, the strongest closing price since June 16. The dollar was last down at 7.13.

The rupee's actual and expected volatility continues to hold near multi-year lows.

Equity inflows worth \$1.5 billion are expected this week following MSCI's decision to increase India's weight in its Emerging Market index effective from Nov. 30

The dollar on Wednesday climbed from its lowest level in more than three months as investors consolidated positions after four days of losses, supported by data showing the world's largest economy grew faster than initially thought in the third quarter.

In November, however, the dollar remained on pace to post its biggest monthly decline in a year, weighed down by expectations of Federal Reserve rate cuts by the first half of 2024.

The dollar extended gains on news that U.S. gross domestic product increased at a 5.2% annualized rate in the last quarter, faster than the previously reported 4.9%. It was the fastest expansion since the fourth quarter of 2021, the U.S. Commerce Department said in its second estimate of third-quarter GDP. Economists polled by Reuters had expected GDP growth would be revised up to 5.0%.

The fourth quarter in the past two years has not been good for the dollar, which peaked in the third quarter of both 2021 and 2022 and sold off through to January each year.

the dollar index , which tracks the currency against six peers, was last up 0.3% at 102.87, set for its largest daily gain in a week. Earlier in the Asian session, the dollar hit its lowest since early August at 102.46. The euro fell 0.2% versus the dollar to \$1.0968 , pressured by inflation data from Germany, Europe's biggest economy, showing price growth slowed to 2.3% year-on-year in November from 3% in October. Inflation

in Spain also slowed sharply.

Traders are now eyeing the U.S. core personal consumption expenditures (PCE) price index - the Fed's preferred measure of inflation - this week for more confirmation that inflation is slowing. PCE tops off a slew of other key economic events this week, including flash inflation data from major euro zone economies, with bloc wide data due Thursday, Chinese purchasing managers' index (PMI) data and an OPEC+ decision on crude output.

U.S. rate futures, however, increased bets of a rate cut starting in March, following the GDP data, to a nearly 50% chance of easing, compared with nearly 35% late on Tuesday, the CME's FedWatch tool showed.

**Economic Indicators to be released.**

| Indicator | Currency | Forecast | Previous | Impact |
|-----------|----------|----------|----------|--------|
|           |          |          |          |        |
|           | CNY      | 49.9     | 49.5     | HIGH   |

|                              |     |      |      |      |
|------------------------------|-----|------|------|------|
| Manufacturing PMI            |     |      |      |      |
| OPEC-JMMC Meetings           | ALL |      |      | HIGH |
| ECB President Lagarde Speaks | EUR |      |      | HIGH |
| Core PCE Price Index m/m     | USD | 0.2% | 0.3% | HIGH |
|                              |     |      |      |      |
|                              |     |      |      |      |
|                              |     |      |      |      |

**Support Resistance Levels – Currency Future:**

| Currency      | LTP    | S1     | S2    | R1    | R2     | Trend    |
|---------------|--------|--------|-------|-------|--------|----------|
| USDINR FUTURE | 83.36  | 83.05  | 82.60 | 83.60 | 84.20  | BULLISH  |
| EURINR FUTURE | 91.51  | 90.75  | 90.10 | 91.75 | 92.50  | BULLISH  |
| GBPINR FUTURE | 105.64 | 104.70 | 104.0 | 106.0 | 106.70 | BULLISH  |
| JPYINR FUTURE | 56.82  | 56.10  | 55.40 | 57.10 | 58.0   | SIDEWAYS |

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