

KEY HEADLINES:

The rupee depreciated by 11 paise to close at 82.60 (provisional) against the US currency on Thursday as a stronger dollar in the overseas market and a muted trend in domestic equities weighed on investor sentiments. Sustained foreign fund outflows further weighed on the local unit

The rupee at NSE Future fall by 9 paise to end at 82.79 against previous close of 82.71 and after make low of 82.73 and high of 82.81 during the day. The Indian rupee in line with Asian currencies depreciated after gaining in the last two days. The hawkish comment from the US Federal Reserve and US economic data indicates higher interest rates for a longer time supporting the dollar bulls

Meanwhile, foreign portfolio investors (FPIs) sold a net 387.89 billion rupees (\$4.70 billion) of Indian equities thus far into the year.

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%.

The dollar strengthened on Thursday after unemployment claims pointed to a strong U.S. jobs market that along with other data showing growing labor costs indicates the Federal Reserve will keep interest rates higher for longer. The yield on two-year Treasury notes , which are sensitive to interest rate expectations, shot to levels last seen in July 2007 at 4.944% as the market perceived the Fed will raise rates further to tame sticky inflation. The dollar index , a basket of major trading currencies, rose 0.469%, while the euro fell 0.5% to \$1.0612.

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. Investors now see the ECB's 2.5% deposit rate rising by a combined 100 basis points in March and May, then to around 4.1% at the turn of the year. Markets have priced in an extra 50 basis points of hikes in just the past month.

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
ISM Services PMI	USD	54.5	55.2	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.79	82.50	81.80	83.45	84	BEARISH
EURINR FUTURE	88.03	87.60	87	88.70	89.50	BEARISH
GBPINR FUTURE	99.13	98.90	98	100	100.70	BEARISH
JPYINR FUTURE	60.86	60.70	60	61.40	62.30	BEARISH

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