

## **KEY HEADLINES:**

The Indian rupee open weakened on Wednesday, as a hawkish tone by Federal Reserve chair Jerome Powell stoked concerns about interest rates being hiked by 50 basis points (bps) again as soon as this month.

The rupee at NSE Future gain by 8 paise to end at 82.20 against previous close of 82.12 and after make low of 82.18 and high of 82.47 during the day.

India's one-year government debt yield rose above that of the 10-year note on Wednesday, following higher-than-expected cutoffs at a sale of treasury bills that briefly inverted the yield curve for the first time in nearly eight years. The one-year bond yield, which trades close to the 364-day treasury bill yield, briefly rose to 7.4750% earlier in the day, while the 10-year benchmark 7.26% 2032 bond yield saw a high of 7.4728%.

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 dipped modestly from three-month highs reached earlier on Wednesday as investors adjusted for the prospect of higher rates for longer after Federal Reserve Chairman Jerome Powell on Tuesday surprised markets with a more hawkish rate outlook.

Powell said that the Fed will likely need to raise interest rates more than expected in response to recent strong data and is prepared to move in larger steps if the "totality" of incoming information suggests tougher measures are needed to control inflation.

Fed funds futures traders now see a 66% probability of a 50 basis-point hike at the Fed's March 21-22 meeting, up from around 22% before Powell spoke on Tuesday. The rate is now expected to peak at 5.62% in September.

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
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