

KEY HEADLINES:

The Indian rupee against the US dollar ended almost flat on Thursday after trading in small range since this week tracking subdued Asian peers while pressure seen on higher side from rally in dollar index while firm equity market and RBI intervention support local currency at every fall. However, Dollar demand from local oil companies contributed to capping the rupee's gains in early trading.

The rupee at NSE Future 27 Feb. ended gain by 1 paise at 83.06 against previous close of 83.07 and after make low of 83.02 and high of 83.07. Rupee forward premiums inched up with the 1-year implied yield up 2 bps at 1.77%, after falling to its lowest in 6 weeks in the previous session. Most Asian currencies ticked higher for today's session.

Overseas investors sold \$2.8 billion worth of Indian equities in January, but the outflow was partially offset by \$2 billion of debt-related inflows, as per the latest share repository data.

The dollar fell for a second straight session on Thursday after a mixed batch of data showed that the U.S. economy remained on solid footing, but is unlikely to prevent the Federal Reserve from starting to cut interest rates by June.

The U.S. dollar index was last down 0.3% at 104.36 . Against the yen, the dollar slid 0.5% to 149.87. The euro gained 0.5% to \$1.0782 , while sterling climbed 0.2% to \$1.2590 .

In the United States, data showed retail sales, unadjusted for inflation, fell 0.8% in January, much lower than an expected decline of 0.1% based on a Reuters poll. The data was likely weighed down by winter storms. A separate report showed initial claims for state unemployment benefits fell 8,000 to a seasonally-adjusted 212,000 for the week ended Feb. 10. This is further evidence that the U.S. labor market remains tight. Another piece of data showed U.S. industrial production slid -0.1% in January, weaker than projected. It is the lowest since October.

However, the U.S. Empire State manufacturing index improved to -2.4 in February, rising 41.3 points after sinking -29.2 points to -43.7 in January, which was the lowest reading since May 2020. In the same token, the Philadelphia Fed manufacturing index rose 15.8 to 5.2 in February, well above forecast, after rising 2.2 ticks to -10.6 in January. February's print was the highest since August's 7.7.

Traders are currently pricing in a 1% chance of a cut in March, the CME Group's FedWatch Tool shows, compared with a 68.1% chance at the start of the year. Also, Investors are currently pricing in a 50% chance of the Fed keeping rates unchanged in May, up from 6% last week, according to CME's FedWatch tool. Investors now reckon that a Fed rate cut is likely only in June and that the U.S. central bank will deliver less than 3-4 rate cuts in 2024. At the beginning of the year, investors had priced in more than 6 rate cuts.

Money markets see a 51% chance of a BoE rate cut in June and a 75% chance of one in August, according to LSEG's Refinitiv app.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Retail Sales m/m	GBP	1.5%	-3.2%	HIGH

PPI m/m	USD	0.1%	-0.1%	HIGH
Prelim UoM Consumer Sentiment	USD	80.0	79.0	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.06	82.85	82.20	83.55	83.80	BEARISH
EURINR FUTURE	89.25	88.90	88.0	89.40	89.85	BEARISH
GBPINR FUTURE	104.31	104.15	103.20	104.85	105.50	BEARISH
JPYINR FUTURE	55.49	55.30	54.95	56.0	56.50	BEARISH

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