

## **KEY HEADLINES:**

The Indian rupee against the US dollar end higher on Monday for straight 9<sup>th</sup> session and register highest of last almost 4-months in intraday to bets on higher FDI flow due to firm equity market which continue to hit record high and a proposal to include eligible Indian bonds in the Bloomberg Emerging Market Local Currency Index which continue to support domestic rupee in last few days added by drop in US treasury yield which fall 9-basis point for last week.

The rupee at NSE Future 29 Jan. ended gain by 7 paise at 82.92 against previous close of 82.99 and after make low of 82.82 and high of 82.97. The fall in U.S. bond yields pushed dollar-rupee forward premiums higher. The USD/INR one-year implied forward rose to 1.92%, up 17 basis points this month.

Investors are betting that India's rupee will break out of its narrow range and rally this year, and are expressing that view via currency options. Volumes in the dollar-rupee options market have surged in the first few trading days of 2024, and the direction of these trades shows market participants expect the rupee to rise, escaping the central bank-induced narrow range of last year.

India Rupee outperform Asian peers as it has gained 0.4% so far in January, while other major Asian currencies have fallen 1% to 1.5%.

India's wholesale price index in December rose 0.73% year-on-year to a 9-month high, mainly on the back of higher food prices, government data showed on Monday against slower than the 0.9% expected by economists polled by Reuters, but quickened from 0.26% in November..

Foreign portfolio investors (FPI) made record monthly purchases of Indian equities totalling 661.35 billion rupees (\$8 billion) in December, NSDL data shows, but the rupee was unable to gain much as the Reserve Bank of India likely stepped in to absorb large inflows. FPIs bought shares worth 427.33 billion rupees in the first half of December, marking a fortnightly record, driven by lower U.S. bond yields amid expectations of interest rate cuts by US FED.

Foreign investment in Indian government bonds saw a remarkable jump in the last three months of 2023, with JPMorgan's decision to add the debt to its indexes boosting inflows to a six-year high. Overseas investors net bought government bonds worth 350 billion rupees (\$4.2 billion) in October-December, pushing the full-year tally to 598 billion

rupees, the highest since 2017, clearing house data showed.

The dollar was little changed on Monday in cautious during a U.S. public holiday, while risk-sensitive sterling slid ahead of a busy week for UK economic data. The dollar index, measuring the U.S. currency against six peers, was up 0.13% at 102.64, Sterling slipped 0.27% to \$1.2717, though it remained close to a two-week peak hit last week. The euro hovered near the \$1.10 mark and was last 0.08% lower on the day at \$1.0941.

The yuan fell on Monday to a one-month low after China's central bank surprised markets by keeping its medium-term policy rate unchanged, defying market expectations it would cut rates to shore up China's bumpy post-pandemic economic recovery.

Market pricing now points to a 77% chance that the U.S. central bank will begin easing rates in March, up from 68% a week ago, according to the CME FedWatch tool.

In the broader market, traders also watch out for UK inflation, jobs data and retail sales due later in the week, as markets continue to focus on how soon major central banks globally could begin easing rates this year.

### **Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact
	USD	-4.9	-14.5	HIGH

Empire State Manufacturing Index				
BOE Gov Bailey Speaks	<b>GBP</b>			<b>HIGH</b>

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
<b>USDINR FUTURE</b>	<b>82.92</b>	<b>82.80</b>	<b>82.30</b>	<b>83.25</b>	<b>83.55</b>	<b>BEARISH</b>
<b>EURINR FUTURE</b>	<b>90.78</b>	<b>90.70</b>	<b>89.90</b>	<b>91.40</b>	<b>92.0</b>	<b>BEARISH</b>
<b>GBPINR FUTURE</b>	<b>105.54</b>	<b>105.15</b>	<b>104.40</b>	<b>106.50</b>	<b>107.40</b>	<b>BEARISH</b>
<b>JPYINR FUTURE</b>	<b>57.10</b>	<b>57.0</b>	<b>56.40</b>	<b>57.60</b>	<b>58.20</b>	<b>BEARISH</b>

**Technical Research Analyst**

Vibhu Ratandhara

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate.  
Walbhat Road, Goregaon (E), Mumbai – 400063 Web site:

<https://www.bonanzaonline.com>

SEBI Regn. No.: INZ000212137

BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186