

KEY HEADLINES:

The Indian rupee against the US dollar ended stronger on Wednesday to 2-week high thanks to dollar sales from local as well Foreign banks while firm equity market also support rupee in expectations of funds flow into domestic market.

The rupee at NSE Future 27 Feb. ended gain by 7 paise at 83.13 against previous close of 83.20 and after make low of 83.09 and high of 83.22. most Asian currencies fell, with the Korean won leading losses.

The Federal Reserve left interest rates unchanged on Wednesday but took a major step towards lowering them in coming months in a policy statement that tempered inflation concerns with other risks to the economy and dropped a longstanding reference to possible further hikes in borrowing costs. "Inflation has eased over the past year, but remains elevated," the Fed said in the statement after a two-day meeting, restating that officials "remain highly attentive to inflation risks." The latest statement, which left the Fed's benchmark overnight interest rate in the 5.25%-5.50% range, was approved unanimously.

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, per the latest share repository data.

India's fiscal deficit for the first nine months of the 2023/34 financial year was 9.82 trillion rupees, or 55% of the estimate for the whole year, government data showed on Wednesday. Net tax revenues for the April-December period were 17.30 trillion rupees, or about 74.2% of the annual estimate, compared with 15.56 trillion rupees in the same period last year, according to the data. The financial year began April 1, 2023. Total expenditure during the period was 30.54 trillion rupees, or about 68% of the annual goal, compared with 28.18 trillion rupees in the same period last year. India aims to narrow its fiscal deficit to 5.9% of gross domestic product by the end of this fiscal year, from 6.4% last year.

India's infrastructure output, which makes up 40% of its industrial production, grew at its slowest pace in more than a year in December, due to weakness in crude oil production and electricity generation, data showed on Wednesday. Infrastructure output rose 3.8% year-on-year, the lowest rate of growth since 0.7% recorded in October, 2022. In the first nine months of the financial year that started on April 1, infrastructure

output rose 8.1% year-on-year, the data showed.

Resilient U.S. economic data has aided the greenback over January with the dollar index up 2.1% in the month so far and on course to log its largest monthly gain since September.

The dollar index pared losses Wednesday after the Federal Reserve left interest rates unchanged and dropped a longstanding reference to possible further hikes in borrowing costs. The dollar index was last flat on the day at 103.39. The euro was last down 0.16% on the day at \$1.08275. The greenback pared losses against the yen and was last down 0.66% on the day at 146.72 yen .

The European Central Bank meets on Thursday. No change in interest rates is expected but investors will watch what it says about its outlook. Market pricing currently shows a reasonable chance of a rate cut by April.

Traders have cut odds that the U.S. central bank will reduce rates to 44%, from 73% a month ago, according to the CME Group's FedWatch Tool, futures traders are betting on five rate cuts of 25 bps each. Two weeks ago they expected six.

Economic Indicators to be released.

| Indicator | Currency | Forecast | Previous | Impact |
|-----------|----------|----------|----------|--------|
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|------------------------------|-----|-------|-------|------|
| ECB President Lagarde Speaks | EUR | | | HIGH |
| Official Bank Rate | GBP | 5.25% | 5.25% | HIGH |
| ISM Manufacturing PMI | USD | 47.2 | 47.4 | HIGH |
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Support Resistance Levels – Currency Future:

| Currency | LTP | S1 | S2 | R1 | R2 | Trend |
|---------------|--------|--------|-------|--------|-------|---------|
| USDINR FUTURE | 83.13 | 82.90 | 82.20 | 83.55 | 83.80 | BEARISH |
| EURINR FUTURE | 90.18 | 89.95 | 89.30 | 91.0 | 92.0 | BEARISH |
| GBPINR FUTURE | 105.39 | 104.85 | 104.0 | 106.20 | 107.0 | BEARISH |
| JPYINR FUTURE | 56.56 | 56.30 | 55.50 | 57.10 | 58.0 | BEARISH |

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