

KEY HEADLINES:

The Indian rupee against the US dollar ended sharply lower towards fresh 2-month low on Wednesday due to dollar demand from OMC added by debt repayment outflows and weakness in Asian peers makes local currency to fall sharply through out the day.

The rupee at NSE Future 28 Mar. ended sharply lower by 12 paise at 83.18 against previous close of 83.06 and after make low of 83.02 and high of 83.20. Meanwhile, the dollar-rupee overnight swap rate was also under pressure, signalling a potential crunch for cash dollars.

The Indian currency has been a beneficiary of persistent foreign inflows in the country's debt and equity markets but dollar purchases from importers and possible intervention by the central bank have limited gains.

The Federal Reserve held interest rates steady on Wednesday, but policymakers indicated they still expect to reduce them by three-quarters of a percentage point by the end of 2024 despite stodgier expected progress towards the U.S. central bank's 2% inflation target. The statement also repeated that officials are still seeking "greater confidence" in a continued decline of inflation before they begin cutting interest rates, language adopted at the Fed's Jan. 30-31 meeting that is likely to stay in place until just before the first rate reduction. U.S. central bank's policy rate stays in 5.25%-5.50% range.

Bloomberg Index Services said it will include 34 Indian government bonds that are open for investment under the country's fully accessible route in its emerging market local currency indexes from January 2025. The announcement follows JP Morgan's decision to add Indian government bonds in its Government Bond Index-Emerging Markets from June 2024.

The dollar slipped and the yen held steady near multi-decade lows on Wednesday after the Federal Reserve left interest rates unchanged as expected and said it still projected three rate cuts this year even as inflation remains elevated. The dollar index , a measure of the U.S. currency against six major trading partners, fell 0.01%, while the yen weakened 0.56% at 151.69 per dollar.

In addition to Japan and the United States, central banks in Britain, Australia, Norway, Switzerland, Mexico, Taiwan, Brazil and Indonesia are all due to meet this week.

Traders are pricing in a 51% probability the Fed will begin cutting rates in June, down from 61% week ago, according to the CME Group's FedWatch Tool. The market has also factored in two more cuts of 25 basis points each for the year, taking down the fed funds rate to 4.46% by the end of 2024.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

Flash Manufacturing PMI	GBP	47.9	47.50	HIGH
Official Bank Rate	GBP	5.25%	5.25%	HIGH
Flash Manufacturing PMI	USD	51.8	52.2	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.18	82.70	82.0	83.50	84.0	BULLISH
EURINR FUTURE	90.20	89.75	89.20	90.90	91.60	BEARISH
GBPINR FUTURE	105.57	105.20	104.75	105.95	106.35	BEARISH
JPYINR FUTURE	55.03	54.90	54.30	55.85	56.30	BEAERISH

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