

KEY HEADLINES:

The Indian rupee against the US dollar ended Strong on Thursday to a more than 5 - month closing high, aided by an uptick in its Asian peers and on the back of dollar inflows into the domestic share and bond markets despite marginal gain in dollar index. Other side, the brief outages on various London Stock Exchange Group (LSEG) news and currency trading platforms globally did not have a material impact on the rupee.

The rupee at NSE Future 27 Feb. ended Strong by 12 paise at 82.85 against previous close of 82.97 and after make low of 82.83 and high of 82.97. INR Spot at its highest closing level since Sept. 4 after having logged its biggest single-session gain in nearly 2 - months. The dollar/rupee forward premiums dipped, with the one-year implied yield falling to the lowest in two months.

The RBI's upcoming \$5 billion swap maturity was probably leading to a receiving interest, pushing forward premiums lower. The central bank's sell dollars/buy rupees swap matures on March 11.

India's current monetary policy is appropriate with growth holding firm and inflation trending down to the target, Reserve Bank of India Governor Shaktikanta Das said in the minutes of the February monetary policy meeting, released on Thursday. "At this juncture, monetary policy must remain vigilant and not assume that our job on the inflation front is over," said Das. Governor Das, however, said as markets are front-running central banks in anticipation of policy pivots, any premature move could undermine the success achieved so far.

Indian business activity expanded at its fastest pace in seven months in February as demand remained strong for both manufacturing and services, according to a business survey released on Thursday, which also showed an easing in price pressures. HSBC's flash India Composite PMI, compiled by S&P Global, rose to 61.5 this month from January's final reading of 61.2, staying above the 50-mark that separates expansion from contraction for a 31st straight month.

India will allow 100% foreign direct investment in the manufacture of satellite systems without official approval and eased the rules for launch vehicles, a government statement said, aiming for a greater share of the global space market.

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 index rebounded on Thursday after earlier hitting a three-week low as investors waited on new data catalysts for clues on when the U.S. Federal Reserve is likely to begin cutting interest rates. The dollar is likely to benefit from divergences with other countries as the U.S. economy looks relatively stronger. The downturn in euro zone business activity eased in February, suggesting signs of recovery, according to a survey on Thursday.

The dollar index was last up 0.08% at 104.06. It fell to 103.43 earlier on Thursday, the lowest since Feb. 2, and is holding below the 104.97 level reached on Feb. 14, which was the highest since Nov. 14. The euro was last down 0.06% at \$1.0809. The greenback gained 0.14% to 150.49 Japanese yen.

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.

In cryptocurrencies, bitcoin slipped 0.18% to \$51,310.

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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>

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

| CDSL: a) 120 33500 |

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