

## **KEY HEADLINES:**

The Indian rupee against the US dollar ended slightly weaker on Tuesday amid dollar demand from foreign banks as well as oil marketing companies and a rally in the dollar index which climbed to a fresh 6-week high against Asian peers which gained marginally. Weakness in equity also saw some pressure in local units.

The rupee at NSE Future 29 Jan. ended down by 8 paise at 83.08 against the previous close of 83.16 and after making a low of 83.08 and a high of 83.19. The Japanese yen was up nearly 0.2% after the Bank of Japan maintained its ultra-easy monetary settings on Tuesday but gave hints that the policy might be tweaked at its next meeting. The offshore Chinese yuan also rose by 0.3%, aided by likely central bank intervention, even as the country's stock markets fell.

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 6-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 Japanese yen fell against the U.S. dollar on Tuesday in volatile trading after the Bank of Japan maintained its ultra-easy policy and signaled an April exit from negative interest rates.

The dollar index rose to a six-week high of 103.76, and was last at 103.73, up 0.3%. The yen first weakened after the BOJ decision, with the dollar hitting 148.60 yen. It briefly firmed but by late morning was weaker again with the dollar up 0.2% at 148.43 yen. The euro fell to a six-week low of \$1.0822, and last traded down 0.5% at \$1.0833.

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.

A report that China is weighing a rescue package for its plunging stock markets helped the yuan and the Australian dollar, which is often viewed as a more liquid proxy for exposure to China.

The U.S. rate futures market was pricing in a roughly 40% chance of a March rate cut, down from as much as 80% about two weeks ago, according to LSEG's rate probability app.

For 2024, 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
Flash Manufacturing PMI	GBP	46.7	46.2	HIGH

Flash Manufacturing PMI	USD	47.6	47.9	HIGH
Flash Services PMI	USD	51.4	51.4	HIGH

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.16	82.80	82.30	83.25	83.55	BEARISH
EURINR FUTURE	90.43	90.30	89.90	90.95	91.40	BEARISH
GBPINR FUTURE	105.66	104.75	104.25	105.90	106.55	SIDEWAYS
JPYINR FUTURE	56.32	56.0	55.40	57.10	57.60	BEARISH

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