

KEY HEADLINES:

The Indian rupee against the US dollar ended strong on Thursday to 2-week high thanks to dollar sales by one of Foreign bank while in budget Govt target lower Fiscal deficit which drop yield as well support local currency.

The rupee at NSE Future 27 Feb. ended strong by 8 paise at 83.05 against previous close of 83.13 and after make low of 82.99 and high of 83.13. Most Asian currencies inched up, with the Korean won leading gains.

India has set a target to narrow its fiscal deficit to 5.1% in the fiscal year 2024/25, after lowering the current year's deficit to 5.8% of gross domestic product (GDP), Finance Minister Nirmala Sitharaman said in budget speech. The government will target to gross borrow 14.13 trillion rupees (\$170.35 billion) via bonds in the next financial year, which is sharply lower than estimates. The Indian 10-year benchmark bond yield dropped to 7.0511%, its lowest level since July 19, after the announcement.

India's manufacturing industry improved substantially at the start of 2024 with factory activity expanding at its fastest pace in four months in January on robust demand and an upbeat year-ahead outlook. The HSBC final India Manufacturing PMI, compiled by S&P Global, rose to 56.5 in January from December's 18-month low of 54.9. Although the final reading was a tad lower than a preliminary estimate of 56.9, it was comfortably above the 50-mark that separates expansion from contraction. It has been above breakeven since June 2021.

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.

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 was steady against the euro on Thursday and fell against the yen after Federal Reserve Chair Jerome Powell pushed back against bets of early U.S. rate cuts. Sterling cut losses after the Bank of England said it would need more evidence of slowing inflation before easing.

The dollar index was last down 0.10% at 103.51. The greenback lost 0.21% against the Japanese currency to last trade at 146.6 yen. Sterling was last down 0.2% on the day at \$1.26640. The euro was steady on the day at \$1.08195, after earlier dropping to \$1.07800, the lowest since Dec. 13.

Investors cut bets on a March rate cut after Powell said that such a move is "not the base case." Traders are now pricing in a 38% probability of a March rate cut, and a 97% chance of a rate reduction by May, according to the CME Group's FedWatch Tool.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Non-Farm Employment Change	USD	187K	216K	HIGH

Revised UoM Consumer Sentiment	USD	78.9	78.8	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.05	82.90	82.20	83.55	83.80	BEARISH
EURINR FUTURE	89.82	89.75	89.0	90.25	91.0	BEARISH
GBPINR FUTURE	104.93	104.85	104.0	105.50	106.20	BEARISH
JPYINR FUTURE	56.81	56.30	55.50	57.30	58.0	BEARISH

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