

KEY HEADLINES:

The Indian rupee against the US dollar end flat on Tuesday tracking subdued Asian peers and in wait for FED chair speech which offer clue for interest rate regime while support seen from expected funds flow from record high equity market against ticj up in dollar index from previous week low makes domestic rupee unchanged.

The rupee at NSE Future 29 July. ended gain by 1 paise at 83.54 against previous close of 83.55 and after make low of 83.51 and high of 83.57. The rupee has maintained an under 10 paise intra-day trading range so far in July.

Federal Reserve Chair Jerome Powell's semi-annual monetary policy testimony to U.S. lawmakers will be in focus on Tuesday and Wednesday for additional cues on the future path of U.S. policy rates. U.S. consumer inflation data is scheduled on Thursday, followed by India's inflation reading on Friday.

The U.S. is "no longer an overheated economy" with a job market that has cooled from its pandemic-era extremes and in many ways is back where it was before the health crisis, Fed Chair Jerome Powell said in remarks to Congress that suggested the case for interest rate cuts is becoming stronger. "We are well aware that we now face two-sided risks," and can no longer focus solely on inflation, Powell told the Senate Banking Committee on Tuesday. "The labor market appears to be fully back in balance."

Expectations of dollar inflows as domestic bonds are to be included in a JPMorgan index are likely to push out potential weakness in the rupee. The inclusion is expected to spur passive inflows of about \$2 billion around June 28. The \$2-billion single-day inflow estimate by bankers trails only the record-high \$2.7 billion poured into Indian bonds on Aug. 20, 2014.

Foreign investors have bought more than \$10 billion of Indian government bonds that will be included in a widely-followed JPMorgan debt index on June 28, taking their ownership of such papers to a record high. In the nine months since JPMorgan said India's sovereign debt will be included in its emerging market debt index, foreign investors have bought 841 billion rupees (\$10.08 billion) of eligible bonds on a net basis. Overseas buyers now own 1.79 trillion rupees of Indian bonds included in the so-called fully accessible route, which allows unfettered foreign purchases. A majority of these notes will be a part of the JPM index.

The dollar gained on Tuesday after Federal Reserve Chair Jerome Powell acknowledged

progress in inflation, but did not give a clear signal that the U.S. central bank is close to cutting interest rates.

The dollar index , which measures the U.S. currency against the euro, sterling, yen and three other major rivals, was last up 0.11% at 105.09. It fell to 104.80 on Monday, the lowest since June 13. The dollar strengthened 0.29% to 161.27 Japanese yen

The euro dipped after Monday's sharp swings as investors came to terms with a hung parliament in France, which points to a potential political gridlock but lessens fiscal concerns stemming from outright far-right or leftist victories. The single currency was last down 0.04% at \$1.0818. It reached \$1.0845 on Monday, the highest since June 12.

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.

Despite the hawkish shift in policymaker's expectations by FED, the odds of a September rate cut rose to about 77%, up from 63% earlier of this week, according to CME's FedWatch tool. A subsequent cut is expected by December.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Fed Chair Powell Testifies	USD			HIGH
Official Cash Rate	NZD	5.50%	5.50%	HIGH

Support Resistance Levels – Currency Future: (NSE CUR - 29 July 24)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.54	83.40	83.0	83.90	84.40	SIDEWAYS
EURINR FUTURE	90.46	89.95	89.40	90.85	91.50	BULLISH
GBPINR FUTURE	106.94	106.0	105.40	107.0	107.80	BULLISH
JPYINR FUTURE	52.02	51.50	51.0	52.40	53.0	BEARISH

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