

KEY HEADLINES:

After hurtling past the 77/\$1 in trade today, the rupee weakened further versus the US dollar on Monday, hitting a fresh all-time low of 77.58/\$1. The domestic currency finally settled the day at 77.50, down 60 paise over its previous close. The key factor driving the rupee lower was a surge in the US dollar globally, following the US Federal Reserve's 50-basis-point rate hike last week and its guidance for more rate hikes in coming months.

The previous record closing low for the Indian currency was 76.9800/\$1 on March 7. So far in the day, the rupee moved in a band of 76.9580-77.5800/\$1.

A relentless rise in US Treasury yields contributed to the dollar's strength, with yield on the 10-year US Treasury note climbing around 14 basis points over the last couple of days. The 10-year US yield was last at 3.17 per cent.

The US dollar index, which measures the currency against six major currencies, broke past the 104 level and was near 20-year highs at 104.07. The index, which has skyrocketed 8 per cent, so far in 2022, had closed at 103.79 in the previous session.

Higher US interest rates dim the appeal of assets in riskier emerging markets such as India. Foreign institutional investors have offloaded domestic equities at a ferocious pace over the last few months, with their net sales at a whopping Rs 1.3 lakh crore so far in 2022. A weakening rupee eats into FIIs returns from Indian assets.

India's trade deficit has widened to USD 18-20bn (Mar-Apr'22) and capital flows have declined, specially FII flows (USD 20bn since Apr'21). Hence, the rate hikes ahead of the Fed's announcement appears to be aimed at preventing a steep depreciation in INR/USD in the wake of continued strength in the US dollar index.

Bitcoin fell to its lowest level since July 2021 on Monday as slumping equity markets continued to hurt cryptocurrencies, which are currently trading in line with so-called riskier assets like tech stocks. Bitcoin dropped to as low as \$32,763.16 shortly before 1100 GMT, in its fifth consecutive session of falling.

The cryptocurrency has dropped 13% so far in May and has lost more than half its value since it hit an all-time high of \$69,000 in November last year.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
M2 Money Supply y/y	CNY	9.9%	9.7%	MEDIUM

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	77.66	77.15	76.50	78	78.60	BULLISH
EURINR FUTURE	81.90	81.30	80.80	82	82.70	BULLISH
GBPINR FUTURE	95.85	95	94.50	96	96.60	SIDEWAYS
JPYINR FUTURE	59.30	58.70	58	59.55	60	SIDEWAYS

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