

KEY HEADLINES:

The Indian rupee fell to a more than 2-week low on Tuesday on the back of dollar purchases by importers and short covering by traders, with a rise in U.S. yields also adding to the pressure.

The rupee at NSE Future 29 May ended weak by 27 paise at 82.12 against previous close of 81.85 and after make low of 81.85 and high of 82.22. Other Asian currencies edged lower as Treasury yields rose ahead of U.S. inflation data on Wednesday. The data is critical after the Federal Reserve, last week, signalled a pause in rate hikes.

Foreign institutional investors bought shares worth 116.31 bln rupees (\$1.42 bln) in April on a net basis; \$1.7 bln over the last six sessions alone.

The dollar clung to modest gains against major currencies on Tuesday but remained rangebound as traders awaited U.S. debt ceiling talks and tried to digest how a host of conflicting economic data will influence monetary policy and global growth. Against a basket of currencies, the U.S. dollar index edged up 0.25% to 101.68, but remained near recent lows as traders eye a peak in U.S. rates.

Chinese imports contracted sharply in April from a year earlier while exports grew more slowly than in March, which had a limited impact on currencies, but contributed to risk-off moves broadly across markets.

Traders remain watchful of the debt ceiling impasse on Capitol Hill, with the Treasury Secretary warning the government might be unable to pay debts by June 1. The focus now shifts to U.S. inflation data due Wednesday, with economists expecting a 0.4% month-on-month increase in the core inflation rate. Fed funds futures traders are now pricing for the fed funds rate to reach 4.993 in July, and remain below that all year. The Fed's target range stands at 5% to 5.25%, having risen rapidly from 0% since March 2022. The Fed's latest rate hike could be its last while the Bank of England is expected to hike this week and further over the coming months.

The key for the rupee and other emerging market currencies this year will be contingent on how the U.S. inflation and growth data shape up and how they affect the U.S. Federal Reserve rate expectations.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
New Loans	CNY	1440B	3890B	MEDIUM
CPI y/y	USD	5.0%	5.0%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.12	81.70	81.0	82.45	83.0	BULLISH
EURINR FUTURE	90.20	89.85	89.25	90.80	91.70	SIDEWAYS
GBPINR FUTURE	103.55	102.90	102.0	103.70	104.80	BULLISH
JPYINR FUTURE	61.12	60.70	59.70	61.25	61.90	SIDEWAYS

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