

KEY HEADLINES:

The Indian rupee against the US dollar end marginally lower on Wednesday due to dollar demand from importer banks while recode high equity market attracts forelimb flows support rupee at lower side and traded in tight range through the day.

The rupee at NSE Future 29 July. ended down by 1 paise at 83.55 against previous close of 83.54 and after make low of 83.52 and high of 83.58. The rupee has maintained an under 10 paise intra-day trading range so far in July.

Powell acknowledged the cooling labor market and improving inflation, and noted that "we now face two-sided risks" in the economy. But he also said that a rate cut is not appropriate until the Fed gains "greater confidence" that inflation is headed toward the 2% target..

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 dipped against the euro on Wednesday before Federal Reserve Chair Jerome Powell is due to testify before Congress for a second day, after indicating on Tuesday that the U.S. central bank is getting closer to cutting interest rates.

The dollar index , which measures the U.S. currency against six others including the euro and yen, was last down 0.05% at 105.07. The euro gained 0.09% to \$1.082 as investors came to terms with a hung parliament in France. The dollar strengthened 0.11% to 161.48 Japanese yen.

The RBNZ, which held rates steady as widely expected, expressed confidence that inflation would return to its target band this year, spurring bets for early policy easing.

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
GDP m/m	GBP	0.2%	0.0%	HIGH

CPI y/y	USD	1.1%	3.3%	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	90.44	89.95	89.40	90.85	91.50	BULLISH
GBPINR FUTURE	106.96	106.0	105.40	107.0	107.80	BULLISH
JPYINR FUTURE	51.87	51.50	51.0	52.40	53.0	BEARISH

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