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Daily Forex Insight

KEY HEADLINES:

Snapping its two-day losing streak, the **rupee** appreciated 12 paise to end at 77.32 (provisional) against the US dollar on Tuesday, supported by a rebound in regional currencies and fall in crude oil prices. However, weak domestic equities and persistent foreign fund outflows restricted the gains.

At the interbank forex market, the rupee opened strong at 77.27 against the greenback and moved in a range of 77.20 to 77.45 in the day trade. The rupee finally ended at 77.32, 12 paise higher than its previous close.

On Monday, the rupee had slumped 54 paise to close at a record low of 77.44 against the US dollar.

The dollar index, which gauges the greenback's strength against a basket of six currencies, rose 0.03 per cent to 103.68. 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.

Foreign institutional investors remained net sellers in the capital market on Monday, as they offloaded shares worth Rs 3,361.80 crore, as per stock exchange data.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI m/m	USD	0.2%	1.2%	HIGH
Core CPI m/m	USD	0.4%	0.3%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	77.44	77.15	76.50	78	78.60	BULLISH
EURINR FUTURE	81.82	81.30	80.80	82.10	82.70	BULLISH
GBPINR FUTURE	95.66	95	94.50	96	96.60	SIDEWAYS
JPYINR FUTURE	59.66	59.15	58.70	59.75	60.30	BULLISH

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