

KEY HEADLINES:

The **rupee** appreciated further by 10 paise to settle at 77.24 (provisional) against the US dollar on Wednesday as the American currency retreated from its 20-year high levels.

At the interbank forex market, the domestic unit opened at 77.24 against the US dollar. It moved in a range of 77.17 to 77.31 during the day trade.

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

The dollar index traded below the 20-year high level of 104.49 that it breached early this week ahead of the release of inflation data in the US. The dollar index, which gauges the greenback's strength against a basket of six currencies, was trading 0.39 per cent lower at 103.51.

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 were net sellers in the capital market on Tuesday as they offloaded shares worth Rs 3,960.59 crore, as per stock exchange data.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Prelim GDP q/q	GBP	1%	1.3%	HIGH
PPI m/m	USD	0.5%	1.4%	HIGH
Core PPI m/m	USD	0.6%	1.0%	MEDIUM

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	77.41	77.15	76.50	77.60	78	BULLISH
EURINR FUTURE	81.73	81.30	80.80	82.10	82.70	BULLISH
GBPINR FUTURE	95.55	95.30	95	96	96.60	SIDEWAYS
JPYINR FUTURE	59.71	59.35	58.70	59.75	60.30	BULLISH

Technical Research Analyst

Rohan Patil

Bonanza Research Team2

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Bonanza Portfolio Ltd. Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063 Web site: <https://www.bonanzaonline.com>

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BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186