

## **KEY HEADLINES:**

The Indian rupee weakened on Thursday, closer to the near 2-week lows hit earlier this week, weighed by broad strength in the dollar index and subdued equity market.

The rupee at NSE Future 29 May ended down by 5 paise at 82.14 against previous close of 82.09 and after make low of 81.99 and high of 82.18. Asian currencies were also mostly weaker through the day.

Foreign institutional investors bought shares worth 116.31 bln rupees (\$1.42 bln) in April on a net basis.

The U.S. dollar rose against a basket of major currencies on Thursday, after recent jobless claims data strengthened the case for the Federal Reserve to halt interest rate hikes, but kept a high bar for a year-end cuts. The dollar index , which tracks the U.S. currency against six major peers, was at 101.92, up 0.7%.

Sterling , which earlier trimmed declines after the Bank of England raised interest rates for the 12th consecutive time, was down 0.8% at \$1.2522.

The number of Americans filing new claims for jobless benefits jumped last week to the highest level since late 2021, suggesting that higher interest rates were starting to weigh on the labor market.

U.S. producer prices, on the other hand, showed a moderate rise last month, posting the smallest annual increase in producer inflation in more than two years, further evidence that inflation pressures were easing. The producer price index for final demand rose 0.2% last month. In the 12 months through April, the PPI increased 2.3%. That was the smallest year-on-year rise since January 2021 and followed a 2.7% advance in March.

Money markets are pricing in a roughly 80% chance that the Fed will pause rates at its next meeting in June, and expect at least a couple of rate cuts to follow before the end of the year. Futures indicate a rate cut in September.

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
GDP m/m	GBP	0.0%	0.0%	HIGH
Prelim GDP q/q	GBP	0.1%	0.1%	HIGH
Prelim UoM Consumer Sentiment	USD	63.0	63.5	HIGH

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.14	81.70	81.0	82.45	83.0	BULLISH
EURINR FUTURE	89.82	89.55	88.90	90.40	90.80	BEARISH
GBPINR FUTURE	103.45	102.90	102.0	103.75	104.80	BULLISH
JPYINR FUTURE	61.34	60.70	59.70	61.90	62.40	BULLISH

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