

KEY HEADLINES:

The Indian rupee rose for a 3rd consecutive session on Wednesday as the dollar continued its slide ahead of U.S. inflation data that could potentially support bets of the Federal Reserve not hiking interest rates beyond July this year.

The rupee at NSE Future 28 July ended strong by 15 paise at 82.32 against previous close of 82.47 and after make low of 82.28 and high of 82.38. in last 3-days rupee rise 0.60%. Most Asian currencies rose 0.1% to 0.4% against the dollar ahead of the data. Rupee forward premiums were mostly unchanged before the U.S. and India data. The one-year implied yield ended one bps lower at 1.63%.

Surging food prices accelerated India's annual retail inflation rate in June, snapping four months of easing and erasing any chance of a rate cut by the central bank this year. June retail inflation rose to 4.81%, higher than both the revised 4.31% for the previous month and the 4.58% expected in a Reuters poll of economists.

India's industrial output rose 5.2% year-on-year in May, data from the Ministry of Statistics showed on Wednesday against analysts in a Reuters poll had forecast an expansion of 4.8%. Industrial output for April was revised to 4.5% from 4.2%.

The Indian rupee had risen 0.77% in June, its highest since a 1.19% appreciation in January, mostly helped by inflows into equities.

Foreign portfolio investors have bought 859.83 billion rupees (\$10.49 billion) worth of equities in fiscal 2024 so far, after offloading 1.4 trillion rupees and 376.32 billion rupees in fiscal 2022 and 2023, respectively.

The dollar plummeted to its lowest in more than a year on Wednesday after data showed the rise in U.S. consumer prices eased in June, suggesting the Federal Reserve may have to raise interest rates only one more time this year. The dollar index dropped as low as 100.58, the lowest since April 2022, and was last down nearly 1% at 100.58, on track for its largest daily percentage loss since early February. The greenback also hit its lowest against the Swiss franc since early 2015 after the inflation report. The euro surged to its highest since March last year of \$1.1125. The single European currency last traded up 1% at \$1.1124.

Core U.S. consumer prices rose just 0.2% in June, compared with forecasts for a gain of 0.3%. On an annual basis, U.S. CPI advanced 4.8%, lower than market expectations for

a 5% increase. That was also the smallest annual increase in more than two years.

The Fed, however, is widely expected to raise interest rates by another 25 basis points this month despite Friday's data showing U.S. job gains were the smallest in 2-1/2 years. The expected rate hike in July would follow a Fed pause in June.

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	-0.3%	0.2%	HIGH
PPI m/m	USD	0.2%	-0.3%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.32	82.10	81.80	82.80	83.15	SIDEWAYS
EURINR FUTURE	90.71	90.0	89.10	90.90	91.60	BULLISH
GBPINR FUTURE	106.21	105.50	104.40	106.70	107.50	BULLISH
JPYINR FUTURE	59.21	58.35	57.70	59.30	60.0	BULLISH

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