

KEY HEADLINES:

Snapping its two-day winning streak, the rupee slumped by 15 paise to end at 77.40 (provisional) against the US dollar on Thursday, following risk-off sentiments amid increasing concerns over inflation globally. Weak domestic equities, surging US dollar in overseas markets and persistent foreign fund outflows also weighed on the rupee which plunged to its all-time intra-day low of 77.63 against the US dollar.

At the interbank forex market, the rupee opened steeply lower at 77.52 against the greenback and moved in a range of 77.36 to 77.63 in the day trade. The rupee finally ended at 77.40, down by 15 paise over its previous close. The rupee had settled at 77.25 against the US dollar on Wednesday.

According to sources, the Reserve Bank is likely to raise inflation projections in the Monetary Policy Committee (MPC) meeting next month and would also consider a rate hike to tame inflation, which is above its comfort level. The MPC, headed by the RBI Governor, is scheduled to meet between June 6 and June 8. It has been mandated to keep retail inflation in the range of 2-6 per cent.

Besides the Reserve Bank of India (RBI), several central banks including the US Federal Reserve and Bank of England have hiked their benchmark lending rates to rein in inflation, which has been exacerbated by the Russia-Ukraine conflict.

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, surged 0.52 per cent to 104.39.

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.

Foreign institutional investors remained net sellers in the capital market on Wednesday, as they offloaded shares worth Rs 3,609.35 crore, as per stock exchange data.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
M2 Money Supply y/y	CNY	9.9%	9.7%	MEDIUM
Prelim UoM Consumer Sentiment	USD	64.1	65.2	MEDIUM

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	77.54	77.30	76.65	77.75	78	BULLISH
EURINR FUTURE	80.96	80.55	80	81.65	82.10	BEARISH
GBPINR FUTURE	94.70	94.40	94	95.40	96	BEARISH
JPYINR FUTURE	60.33	59.90	59.35	60.50	61	BULLISH

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Disclosure:

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