

KEY HEADLINES:

The Indian rupee ended higher for a 4TH straight session on Thursday, driven by broad weakness in the dollar, while demand for the greenback from importers limited gains.

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 4-days rupee rise 0.80%. The dollar's slide also helped Asian currencies such as the Korean won and the Malaysian ringgit to jump more than 1%. Meanwhile, rupee forward premiums jumped, with the one-year implied yield jumping to a two-week high of 1.75% intraday. The yield ended at 1.73%, up 10 bps from previous close.

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 slumped to its lowest since April 2022 on Thursday, as cooling U.S. inflation bolstered expectations that the Federal Reserve would hike interest rates just one more time this year, eroding the greenback's yield advantage over peers. Against a basket of six major currencies, the dollar index fell 0.5% to 100, after dropping earlier to 99.968, a new 15-month trough. The dollar index was headed for its biggest weekly slide so far in 2023. The euro rose 0.6% against the dollar to \$1.1190, after hitting a new 16-month high earlier in the session. The euro headed for a sixth daily gain, its longest stretch of rises against the dollar this year.

U.S. data on Thursday reinforced the view that inflation is moderating. U.S. PPI inched up 0.1% in June, with the annual increase at 0.1% as well, the smallest year-on-year rise in nearly three years.

Data on Thursday showed Britain's economy shrank by less than expected in May, reinforcing the idea the Bank of England can afford to raise interest rates further without derailing growth.

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
Prelim UoM Consumer Sentiment	USD	65.5	64.4	HIGH
G20 Meetings				

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.13	81.80	81.0	82.80	83.15	SIDEWAYS
EURINR FUTURE	91.71	90.90	90.0	91.75	92.60	BULLISH
GBPINR FUTURE	107.21	106.30	105.50	107.30	108.10	BULLISH
JPYINR FUTURE	59.53	59.0	58.35	60.0	60.60	BULLISH

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