

KEY HEADLINES:

The Indian rupee closed near a 2-week high on Tuesday as the dollar fell ahead of U.S. inflation data and the Federal Reserve's rate decision.

The rupee at NSE Future 30 June ended strong by 8 paise at 82.40 against previous close of 82.48 and after make low of 82.40 and high of 82.50. Asian currencies were mixed, with the offshore Chinese yuan plumbing new 2023 lows, while the Korean won rallied over 1%. The yuan hit 7.1782 against the dollar, its lowest since November 2022, after China's central bank lowered the short-term lending rate to boost the economy.

U.S. consumer prices barely rose in May and the annual increase in inflation was the smallest in more than two years, the CPI increased 0.1% last month after gaining 0.4% in April. In the 12 months through May, the CPI climbed 4.0%. That was the smallest year-on-year increase since March 2021 and followed a 4.9% rise in April. In the 12 months through May, the core CPI climbed 5.3%. That was the smallest rise since November 2021 and followed a 5.5% increase in April.

Traders of futures tied to the Fed's policy rate now expect a roughly 93% chance the U.S. central bank will decide to forgo an 11th straight interest-rate hike and keep the benchmark rate at 5.00% to 5.25% on Wednesday . Before the report, traders saw a 75% chance of a June rate increase. The European Central Bank is expected to raise rates by 25 basis points (bps) when it meets next Thursday, to be followed by another 25-bps increase in July, taking rates to 3.75%.

The dollar dropped to a three-week low on Tuesday on news of the smallest annual increase in inflation in more than two years, cementing expectations that the Federal Reserve will pause interest rate hikes at its two-day meeting ending on Wednesday. The dollar index slid to as low as 103.04 following the data, and was last down 0.3% at 103.21 . The euro rose 0.4% to \$1.0795 , after climbing to \$1.0824, its highest since May 22.

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	0.2%	-0.3%	HIGH
PPI m/m	USD	-0.1%	0.2%	HIGH
Federal Funds Rate	USD	5.25%	5.25%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.40	82.35	81.80	83.0	83.70	BEARISH
EURINR FUTURE	89.01	88.20	87.0	89.15	90.0	BULLISH
GBPINR FUTURE	103.51	103.20	102.0	103.85	104.70	BULLISH
JPYINR FUTURE	59.39	59.10	58.50	59.80	60.15	SIDEWAYS

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