

## **KEY HEADLINES:**

The Indian rupee edged lower on Thursday as broad strength in the dollar following the U.S. Federal Reserve hinting at further rate hikes this year hurt emerging market currencies.

The rupee at NSE Future 30 June ended weak by 11 paise at 82.23 against previous close of 82.12 and after make low of 82.06 and high of 82.27. Most of the Asian currencies were down 0.12-0.4%. The offshore Chinese yuan extended declines against the dollar and hit a fresh low since November 2022. Meanwhile, tracking a rise in U.S. yields, the rupee forward premiums hit their lowest since Dec. 2022 at 1.69%.

India's merchandise trade deficit rose faster-than-expected in May, due to a fall in demand in developed countries, a top trade official said on Thursday. A merchandise trade deficit of \$22.12 billion, higher than \$15.24 billion in April and a Reuters poll estimate of \$17.26 billion. For May, merchandise exports were \$34.98 billion, while imports stood at \$57.10 billion, the government said.

The European Central Bank raised euro zone borrowing costs to their highest level in 22 years on Thursday and said stubbornly high inflation all but guaranteed another move next month and likely beyond that too. The quarter-percentage-point move was the ECB's eighth consecutive interest rate hike since it badly misjudged the tenaciousness of price rises early last year, and took its policy rate to 3.5%, a level not seen since 2001.

the dollar slid after the European Central Bank raised interest rates a day after the Federal Reserve paused its hikes. U.S. Treasury yields on benchmark 10-year notes fell 7 basis points to 3.728%, from 3.798% late on Wednesday. The 30-year bond was last down 3.3 basis points to yield 3.8485%, from 3.881%. The 2-year note fell 5.9 basis points to yield 4.6481%.

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
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BOJ Policy Rate	JPY	-0.10%	-0.10%	HIGH
Prelim UoM Consumer Sentiment	USD	60.1	59.2	HIGH

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.23	81.80	81.0	82.40	83.0	BEARISH
EURINR FUTURE	89.05	88.60	88.20	89.20	90.0	BULLISH
GBPINR FUTURE	103.97	103.20	102.0	104.0	104.80	BULLISH
JPYINR FUTURE	58.57	58.35	57.70	59.0	59.80	BEARISH

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