

KEY HEADLINES:

The Indian rupee ended lower on Monday, bogged down by the fall in Asian peers and overnight rebound in dollar index, while forward premiums reached their lowest since February.

The rupee at NSE Future 29 May ended down by 9 paise at 82.31 against previous close of 82.22 and after make low of 82.23 and high of 82.41. The rupee had fallen by 0.4% last week, tracking the jump in the dollar index. Meanwhile, the one-year implied USD/INR yield dropped to 2.06%, thanks to the rise in U.S. yields and India's April inflation data which eased to a 19-month low of 4.7% in April.

India's annual WPI fell for the first time in nearly three years in April, as prices softened across the board. WPI fell by 0.92% from the same month a year earlier, having risen 1.34% in March and against a Reuters poll that predicted a fall of 0.20%.

India's merchandise and services trade deficit narrowed to a 21-month low in April as imports dropped partly due to some slackening in demand for discretionary items and oil in the Asian economy. The merchandise and services deficit fell to \$1.38 billion compared with \$8.37 billion in the same period last year. In March the overall trade deficit was \$6.04 billion.

The dollar fell from a five-week high on Monday, as investors consolidated gains made last week on the greenback and awaited news from Washington on how to address the debt ceiling issue, which could force the U.S. government to default on its debt if not resolved. The dollar's decline on Monday came after it notched its best weekly performance on Friday since September last year. the dollar index , which measures the greenback's value against six major currencies, fell 0.3% to 102.40. Earlier in the session, the dollar touched a five-week high of 102.75.

Money markets are pricing in a roughly 80% chance that the Fed will pause rates at its next meeting in June, and expect at least a couple of rate cuts to follow before the end of the year. Futures indicate a rate cut in September.

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
Claimant Count Change	GBP	31.2k	28.2k	HIGH
Retail Sales m/m	USD	0.8%	-1.0%	HIGH
ECB President Lagarde Speaks	EUR			HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.31	81.70	81.0	82.45	83.0	BULLISH
EURINR FUTURE	89.55	89.30	88.85	90.35	90.80	BEARISH
GBPINR FUTURE	102.92	102.40	101.60	103.70	104.80	SIDEWAYS
JPYINR FUTURE	60.62	60.0	59.50	61.40	62.40	BEARISH

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