

KEY HEADLINES:

The Indian **rupee** gradually recovered after touching a record low on Tuesday, after the central bank intervened while bond yields edged higher tracking the uptick in global crude oil prices. Rupee fell to a fresh all-time low as broader strength in the dollar continued and also as global crude oil prices continued to trade higher.

the central bank started selling dollars via state-run banks around 77.75 rupee levels helping the currency regain some ground.

India's annual wholesale price inflation accelerated to 15.08% in April from the previous month's 14.55%, remaining in double-digits for the 13th month in a row, government data showed on Tuesday.

India's benchmark 10-year bond yield was trading at 7.36%, up 4 basis points on the day.

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.

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 funds, however, have been selling India's stocks and debt. They are net sellers of more than \$20 billion worth of shares and of around \$2 billion in debt so far in 2022.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI y/y	GBP	9.1%	7.0%	HIGH
Housing Starts	USD	1.77M	1.79M	MEDIUM

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	77.54	77.30	76.65	77.90	78.50	BULLISH
EURINR FUTURE	81.66	81.10	80.55	81.85	82.10	SIDEWAYS
GBPINR FUTURE	96.67	95.85	95	97	98	BULLISH
JPYINR FUTURE	60.0	59.70	59	60.50	61	BULLISH

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