

KEY HEADLINES:

The rupee gained marginally by 3 paise against the US dollar on Tuesday, as domestic equity benchmarks scaling all-time high levels added by weakness in dollar index and steady foreign fund inflows into domestic capital markets makes rupee appreciate 7th time in last 8-trading session. While the Fed is expected to pause, expectations are that the European Central Bank and the Bank of England will deliver more rate hikes, boosting the euro and the U.K. pound.

The rupee at NSE Future 28 July ended gain by 3 paise at 82.06 against previous close of 82.09 and after make low of 82.0 and high of 82.10. Rupee forward premiums inched up with the 1-year up two basis points at 1.73%.

The Reserve Bank of India (RBI) bought \$7.37 billion in the spot foreign exchange market in May, as part of the central bank's monthly bulletin.

The Indian rupee had risen 0.77% in June, its highest since a 1.19% appreciation in January, mostly helped by inflows into equities.

FPIs' flow into the Indian equity market remained unabated as they invested over Rs 30,600 crore in the first fortnight of this month, driven by the country's robust economic growth and strong corporate earnings. 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 U.S. dollar rose from a 15-month low against a basket of currencies on Tuesday after core retail sales saw strong gains in June, as investors wait on the Federal Reserve's interest rate decision next week. The dollar index was last up 0.04% on the day at 99.924, after earlier falling to 99.549, the lowest since April 2022. The dollar rose 0.10% against the Japanese yen to 138.83, after dropping to 137.245 on Friday, the lowest since May 17. The euro was little changed on the day at \$1.1229 after earlier hitting \$1.12760, the highest since Feb. 2022.

Headline U.S. retail sales rose less than expected in June, with a 0.2% increase during the month. Data for May was also revised higher to show sales gaining 0.5% instead of 0.3% as previously reported.

This week is likely to see the dollar consolidate as investors wait on the Federal Reserve's meeting next week, when the U.S. central bank is expected to hike rates by an

additional 25 basis points. Fed funds futures traders are pricing in an additional 32 basis points of tightening with the benchmark rate expected to peak at 5.40% in November. That implies that the market sees a low chance of further interest rate increases after the Fed’s July 25-26 meeting. The European Central Bank is also expected to raise interest rates by 25 basis points next week.

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
CPI y/y	GBP	8.2%	8.7%	HIGH
Housing Starts	USD	1.48M	1.63M	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.06	81.80	81.0	82.30	82.85	BEARISH
EURINR FUTURE	92.32	91.70	90.90	92.50	93.30	BULLISH
GBPINR FUTURE	107.48	107.10	106.30	107.85	108.70	BULLISH
JPYINR FUTURE	59.51	59.0	58.35	60.0	60.60	BULLISH

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