

## **KEY HEADLINES:**

The Indian rupee declined on Wednesday on the back of a Chinese yuan-led slide in Asian peers, while forward premiums inched lower despite record high spree continue in equity market. Surge in Crude oil prices also makes pressure in domestic currency.

The rupee at NSE Future 28 July ended down by 7 paise at 82.13 against previous close of 82.06 and after make low of 82.09 and high of 82.18. Rupee forward premiums were down on the day with the 1-year implied yield off two bps. Following last week's jump, premiums have been fairly range bound this week. The offshore yuan slipped below 7.2150 versus the dollar, headed for its fourth daily decline on worries over China's growth outlook. At least four brokerages have downgraded forecasts for China's 2023 GDP this week.

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.

Foreign investors have poured more than \$4 billion into Indian shares so far this month, according to NSDL data, driven by the country's robust economic growth and strong corporate earnings.

The U.S. dollar bounced on Wednesday after inflation in the United Kingdom cooled more than economists expected in June, sending the pound sharply lower against other major currencies. The dollar index rose 0.32% against a basket of currencies to 100.26. The euro fell 0.24% to \$1.1202.

Britain's rate of inflation was its slowest in over a year at 7.9%, according to data that will ease some of the pressure on the Bank of England to keep on raising interest rates sharply. Economists polled by Reuters had mostly forecast a smaller slowdown, to 8.2% in the 12 months to June from May's 8.7%.

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. Before Wednesday's CPI data, traders had assigned a roughly 60% chance that the BoE would hike rates on Aug. 3 by a half-percentage point. After the data, that turned into a 60% chance of a quarter-percentage point hike.

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
Philly Fed Manufacturing Index	USD	-10.1	-13.7	HIGH

### Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.13	81.80	81.0	82.30	82.85	BEARISH
EURINR FUTURE	92.09	91.70	90.90	92.50	93.30	BULLISH
GBPINR FUTURE	106.02	105.95	105.0	107.0	107.85	BEARISH
JPYINR FUTURE	58.81	58.40	57.90	59.30	60.0	BEARISH

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