

## **KEY HEADLINES:**

The rupee gained sharply towards 2-week high against the US dollar on Thursday, as domestic equity benchmarks scaling all-time high levels and weakness in the American currency overseas boosted investor sentiments added by steady foreign fund inflows into domestic capital markets also supported the local unit.

The rupee at NSE Future 28 July ended strong by 17 paise at 81.96 against previous close of 82.13 and after make low of 81.93 and high of 82.08. The offshore yuan rose 0.7% to 7.1838 to the dollar, boosted by the daily fix and steps taken by the People's Bank of China to make it easier for domestic firms to raise funds from overseas.

China's central bank and foreign exchange regulator said on Thursday that they raised the cross-border macro-prudential adjustment ratio.

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 dollar gained against a basket of currencies on Thursday after data showed that the number of Americans filing new claims for unemployment benefits unexpectedly fell last week, boosting expectations the Federal Reserve may continue hiking interest rates if the economy remains strong. Other data on Thursday showed that U.S. existing home sales dropped to a 5-month low in June, depressed by a chronic shortage of houses on the market that slowed the pace of decline in annual house prices. The dollar index rose 0.62% against a basket of currencies to 100.85. The euro fell 0.67% to \$1.1127.

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
Retail Sales m/m	GBP	0.2%	0.3%	HIGH

### Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	81.96	81.80	81.0	82.30	82.85	BEARISH
EURINR FUTURE	91.83	90.90	90.0	92.50	93.30	SIDEWAYS
GBPINR FUTURE	105.69	105.0	104.40	106.30	107.0	BEARISH
JPYINR FUTURE	58.87	58.40	57.90	59.30	60.0	BEARISH

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SEBI Regn. No.: INZ000212137

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