

KEY HEADLINES:

The Indian rupee against the US dollar end gain on Tuesday to test almost 2-month high in intra day trade in expected dollar inflows after rebound in equity market added by fall in crude oil prices while dollar demand from OMC might cap rupee ally further.

The rupee at NSE Future 29 May. ended Gain by 5 paise at 83.33 against previous close of 83.38 and after make low of 83.27 and high of 83.38. Asian currencies declined on Tuesday with the offshore Chinese yuan dipping to near 7.25 to the dollar and the Japanese yen slipping to 156.50. Other currencies were down between 0.4% and 0.7%. Meanwhile, dollar-rupee forward premiums slipped, with the 1-year implied yield down 1 basis point (bp) at 1.70%, pressured by the uptick in U.S. bond yields.

The currency has managed to hold its ground even as foreign investors have pulled out \$3 billion from Indian equities in May so far, prompted by concerns about the upcoming national election results on June 4.

The recent sharp foreign investor selling in Indian government bonds in April, marking the highest monthly sales since the Covid-19 pandemic, is only an aberration, with inflows likely to continue in the coming months, according to various analyst expectations. Foreign investors sold bonds worth 149.5 billion rupees (\$1.79 billion) on a net basis in April, the highest in the four years, after net purchases of bonds worth 816 billion rupees between October and March.

The U.S. dollar edged up against the euro on Tuesday, as Federal Reserve policymakers said it is prudent for the U.S. central bank to wait several more months to ensure that inflation really is back on a path to the 2% target before commencing interest rate cuts.

Against other currencies, the greenback was mostly flat ahead of the U.S. Memorial Day holiday next week. The euro was 0.05% lower at \$1.0852. On Tuesday, the U.S. currency slipped 0.04% against the Japanese yen to 156.20.

The minutes of the May Fed meeting will be released this week and will shed further light on the anxiety over the higher inflation readings in the first quarter. Fed Chair Jerome Powell, in his press briefing after the Fed held rates steady earlier this month, also ruled out rate hikes. Investors also watching Thursday's data from the European Central Bank negotiated wage tracker and the euro zone Purchasing Managers' Index which could provide further clues about the monetary cycle in the euro area.

Bloomberg Index Services said it will include 34 Indian government bonds that are open for investment under the country's fully accessible route in its emerging market local currency indexes from January 2025. The announcement follows JP Morgan's decision to add Indian government bonds in its Government Bond Index-Emerging Markets from June 2024.

Markets are now pricing in nearly 50 basis points of rate cuts from the Fed this year, including a 75% chance of a rate cut of at least 25 basis points in September, according to CME's FedWatch Tool.

In cryptocurrencies, ether was set for its largest two-day gain in nearly two years and bitcoin approached a record high on speculation about the outcome of applications for U.S. spot exchange-traded funds that would track the world's second-biggest cryptocurrency. Bitcoin broke above the \$70,000 level and was last trading up 0.25% higher at \$69,707. It hit its all-time high at \$73,803.25 in March.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Official Cash Rate	NZD	5.50%	5.50%	HIGH

FOMC Meeting Minutes	USD			HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.33	83.25	82.80	83.65	83.90	SIDEWAYS
EURINR FUTURE	90.44	90.20	89.65	90.80	91.20	BULLISH
GBPINR FUTURE	105.79	104.80	104.15	105.90	106.40	BULLISH
JPYINR FUTURE	53.72	53.25	52.40	54.25	54.60	BEARISH

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