

KEY HEADLINES:

The Indian rupee closed marginal higher for the first time in 5-sessions and recover from 3-month low previous day on Tuesday when investors evaluated hawkish comments from U.S. Federal Reserve officials and progress in the debt ceiling talks.

The rupee at NSE Future 29 May ended gain by 2 paise at 82.84 against previous close of 82.86 and after make low of 82.77 and high of 82.88, its lowest since march 23, during the session. Dollar index climb to fresh 2-month high on Tuesday.

On Friday, the Reserve Bank of India said it will withdraw its highest denomination 2,000-rupee note from circulation. The impact on the rupee from RBI's step will be felt through the drop in forwards.

The U.S. dollar hit a 2-month high on Tuesday in line with higher Treasury yields after hawkish comments from Federal Reserve officials led investors to position for the possibility of further rate hikes. Regional Fed Presidents James Bullard and Neel Kashkari on Monday indicated that the U.S. central bank may need to continue hiking rates if inflation remains high. The dollar index , which measures the U.S. currency against a basket of major peers, reached 103.65, the highest since March 20, and was last at 103.33. The greenback also rose to 138.91 against the Japanese yen , the highest since Nov. 30, before falling back to 138.35. The euro slipped 0.18% to \$1.0794. It is holding just above a two-month low of \$1.0760 hit on Friday.

Traders have ramped up bets that the Fed funds rate will stay elevated, with markets pricing in almost a 30% chance of a rate hike in June and the Fed funds rate seen at about 4.75% in December.

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

Official Cash Rate	NZD	5.50%	5.25%	HIGH
CPI y/y	GBP	8.2%	10.1%	HIGH
BOE Gov Bailey Speaks	GBP			HIGH
FOMC Meeting Minutes	USD			HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.84	82.35	81.90	82.90	83.25	BULLISH
EURINR FUTURE	89.34	89.10	88.25	90.0	90.80	SIDEWAYS
GBPINR FUTURE	102.58	102.40	101.60	103.30	104.80	SIDEWAYS
JPYINR FUTURE	59.93	59.70	59.0	60.60	61.40	BEARISH

Technical Research Analyst

Mahesh Prakot

Bonanza Research Team2

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate.
Walbhat Road, Goregaon (E), Mumbai – 400063 Web site:

<https://www.bonanzaonline.com>

SEBI Regn. No.: INZ000212137

BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186