

KEY HEADLINES:

The Indian rupee closed higher for the 2nd consecutive day and recover from 3-month low earlier of week on wednesday supported by dollar inflows and recovery on the Chinese yuan. The offshore Chinese yuan was at 7.06 to the dollar, having dropped to below 7.08 at one point.

The rupee at NSE Future 29 May ended strong by 14 paise at 82.70 against previous close of 82.84 and after make low of 82.65 and high of 82.89, its lowest since march 23, during the session.

India's inflation has moderated, but lingering weather-related uncertainties still pose headwinds, the governor of the Reserve Bank of India said on Wednesday. "There is no room for complacency. We will have to see how the El Nino factor plays out." India's GDP growth could be above 7% for 2022-23, and that should not come as a surprise, the governor said. India is expected to record a GDP growth of close to 6.5% in 2023-24, he added.

Investors eyed the news flow around the U.S. debt ceiling. Negotiations over the debt ceiling between representatives of U.S. President Joe Biden and congressional Republicans failed on Tuesday, with the deadline to raise the borrowing limit approaching.

The dollar hit a fresh 2-month high against a basket of peers on Wednesday as a resilient U.S. economy helped to bolster the currency, while unease over debt ceiling talks in Washington kept investor flows moving to safe havens. The dollar index , which tracks the U.S. currency against six major peers, hit 103.91, its highest since March 20. The index last rose 0.299% at 103.83. The British currency lost ground against the euro too, which was last down 0.25% at 1.1492.

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
Prelim GDP q/q	USD	1.1%	1.1%	HIGH
Pending Home Sales m/m	USD	1.0%	-5.2%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.70	82.35	81.90	82.90	83.25	BULLISH
EURINR FUTURE	89.05	88.25	87.0	89.75	90.80	BEARISH
GBPINR FUTURE	102.41	102.25	101.60	103.30	104.80	BEARISH
JPYINR FUTURE	59.80	59.70	59.0	60.60	61.40	BEARISH

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