

## **KEY HEADLINES:**

The Indian rupee eased slightly to almost flat against the greenback on Tuesday, tracking the weakness in its Asian peers, with likely importer-led dollar demand also weighing on the local currency.

The rupee at NSE Future 29 May ended weak by 1 paise at 82.07 against previous close of 82.06 and after make low of 81.98 and high of 82.09. The offshore Chinese yuan and the South Korean won fell more than 0.20% on the day, while Asian equity gauges also declined as risk sentiment remained frail in the week before the Federal Reserve's meeting.

The dollar rose on Tuesday as market sentiment turned risk-averse amid worries about earnings and the outlook for the global economy, which knocked the euro off a nearly 10-month high. The U.S. dollar index climbed 0.6% to 101.81, having dropped over 3.3% since the beginning of March. The euro was down around 0.6% against the dollar at \$1.0979, having risen 1.7% so far in April and over 4% since the beginning of March.

News on Monday of plunging deposits at First Republic Bank served as a reminder that stability risks have not entirely died down, while UBS reported a 52% slide in quarterly income.

Fed policymakers are widely expected to raise rates by another 25 bps at next week's meeting, but they are seen pausing in June. The rate futures market has also factored in roughly 50 bps of rate cuts by the end of the year. But before that, market participants will pore over U.S. first quarter GDP and personal consumption expenditures (PCE) data. Aside from the Fed, the European Central Bank also meets next week and is also expected to lift rates by 25 basis points (bps), with the possibility of a 50-bps hike as well. Euro zone inflation and growth data are also due later this week.

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
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Core Durable Goods Orders m/m	USD	-0.2%	-0.1%	HIGH

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.07	81.95	81.50	82.40	83.10	BEARISH
EURINR FUTURE	90.47	89.60	89.0	90.80	91.70	BULLISH
GBPINR FUTURE	102.16	101.20	100.0	102.70	103.80	BULLISH
JPYINR FUTURE	61.56	60.75	60.0	61.90	62.60	BEARISH

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