

## **KEY HEADLINES:**

The Indian rupee against the US dollar end marginally higher on Tuesday in expectations that inflows likely to increase from domestic debt market will be included in a global index this week end and strong equity market which also likely to attract foreign flows while other side strong dollar index as well US Yield makes pressure at higher level.

The rupee at NSE Future 29 July. ended gain by 5 paise at 83.51 against previous close of 83.56 and after make low of 83.50 and high of 83.57. Meanwhile, Asian currencies were mostly higher, aided by a broadly weaker dollar.

Expectations of dollar inflows as domestic bonds are to be included in a JPMorgan index are likely to push out potential weakness in the rupee. The inclusion is expected to spur passive inflows of about \$2 billion around June 28. The \$2-billion single-day inflow estimate by bankers trails only the record-high \$2.7 billion poured into Indian bonds on Aug. 20, 2014.

India's current account balance posted a surplus for the first time in 10 quarters in the January-March period, helped by higher service exports and private transfer receipts, the central bank said on Monday. The current account surplus stood at \$5.7 billion, or 0.6% of the GDP, in the fourth quarter of the fiscal year 2023/24, compared with a deficit of \$8.7 billion or 1% of the GDP in the preceding quarter, the Reserve Bank of India (RBI) said in a statement.

The Reserve Bank of India (RBI) sold \$3.65 billion on a net basis in the spot foreign exchange market in April, data released on Wednesday as part of the central bank's monthly bulletin showed. The RBI said it purchased nearly \$8 billion and sold \$11.6 billion. In March, the central bank had bought a net of \$13.2 billion in the spot market.

Foreign investors have bought more than \$10 billion of Indian government bonds that will be included in a widely-followed JPMorgan debt index on June 28, taking their ownership of such papers to a record high. In the nine months since JPMorgan said India's sovereign debt will be included in its emerging market debt index, foreign investors have bought 841 billion rupees (\$10.08 billion) of eligible bonds on a net basis. More chunky inflows are expected at the end of this month. Overseas buyers now own 1.79 trillion rupees of Indian bonds included in the so-called fully accessible route, which allows unfettered foreign purchases. A majority of these notes will be a part of the JPM index.

The U.S. dollar rose on Tuesday, bolstered by hawkish comments from Federal Reserve officials as well as data showing a stable housing market in the world's largest economy, both suggesting that the central bank will not be in a rush to kickstart its rate-cutting cycle. The greenback firmed against the euro, yen, Swiss franc, and commodity currencies, such as the Australian and New Zealand dollars.

A report showed U.S. single-family home prices increased at a steady pace in April, rising 0.2% on the month after being unchanged in March. In the 12 months through April house prices increased 6.3% after advancing 6.7% in March. That pushed the dollar a little higher.

U.S. consumer confidence, however, slightly eased in June, with the index at 100.4 from a downwardly revised 101.3 in May, according to the Conference Board. The June number, however, was marginally higher than the market forecast of 100.

The euro slid 0.2% versus the dollar to \$1.0714. Against a basket of currencies, the dollar index was up 0.1% at 105.72. Sterling was slightly higher against the dollar at \$1.2693, while the Australian dollar slipped 0.1% to A\$0.6649. China's yuan was little changed against the U.S. currency at 7.2629 per dollar.

The spotlight this week will be on Friday's release of the U.S. personal consumption expenditures (PCE) price index, which the Federal Reserve relies on to gauge progress in getting inflation down to its 2% target. Another focus through the week will be politics. The first U.S. presidential debate between President Joe Biden and his predecessor Donald Trump is on Thursday after U.S. markets close. The first round of voting in the French election is on Sunday.

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.

Despite the hawkish shift in policymaker's expectations by FED, the odds of a September rate cut rose to about 67%, up from 57% a week earlier, according to CME's FedWatch tool.

In cryptocurrencies, bitcoin fell to its lowest since May 10 and was down 4.52% at \$61,267.00. Ethereum declined 5.98% at \$3310.26.



**Economic Indicators to be released.**

Indicator	Currency	Forecast	Previous	Impact
New Home Sales	USD	636k	634k	HIGH

### Support Resistance Levels – Currency Future: ( NSE CUR - 26 June 24)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.51	83.40	83.0	83.90	84.40	SIDEWAYS
EURINR FUTURE	89.67	89.50	88.80	90.20	90.90	BEARISH
GBPINR FUTURE	105.92	105.50	104.90	106.30	107.0	BEARISH
JPYINR FUTURE	52.70	52.65	52.0	53.40	53.90	BEARISH

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