

KEY HEADLINES:

The Indian rupee strengthened against the U.S. currency to a 7-week high on Wednesday, tracking Asian peers as the dollar index gave up gains and local equities remained resilient. Indian equities held firm despite a sell-off overnight on Wall Street and with most global indexes trading in the red, possibly helping the rupee on Wednesday.

The rupee at NSE Future 29 May ended strong by 19 paise at 81.88 against previous close of 82.07 and after make low of 81.81 and high of 82.13. Meanwhile, Asian currencies advanced as the dollar index reversed gains on the euro's sharp rebound from Tuesday's sell-off.

The dollar retreated on Wednesday on further signs of a U.S. economic slowdown after orders for core capital goods slipped more than expected in March as concerns festered about a looming vote in Congress over the unresolved debt ceiling. The dollar index , which measures the currency against six major rivals, fell 0.422% as new orders for key U.S.-manufactured capital goods fell more than expected last month.

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
Advance GDP q/q	USD	2.0%	2.6%	HIGH

Pending Home Sales m/m	USD	0.6%	0.8%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	81.88	81.55	81.0	82.40	83.10	BEARISH
EURINR FUTURE	90.43	89.60	89.0	90.80	91.70	SIDEWAYS
GBPINR FUTURE	102.18	101.20	100.0	102.70	103.80	BULLISH
JPYINR FUTURE	61.73	61.25	60.75	61.90	62.60	SIDEWAYS

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