

KEY HEADLINES:

The Indian rupee against the US dollar snapped a 3-session winning run to end lower on Wednesday due to weakness in Asian peers aid rally in dollar index and month end dollar demand from OMC fall rupee against expeted inflows from domestic debt market which will be included in a global index this week end and strong equity market which also likely to attract foreign flows.

The rupee at NSE Future 29 July. ended fall by 15 paise at 83.66 against previous close of 83.51 and after make low of 83.51 and high of 83.69. Asian currencies were down at least 0.1% each to the dollar, with the onshore Chinese yuan back at its lowest level since mid-November.

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.

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 dollar hit a fresh 38-year high against the yen on Wednesday, with investor speculation high that authorities in Japan could intervene to strengthen the Japanese

currency, while global stock indexes were mixed. Japan's low-interest-rate regime, compared with that of the United States, has continued to weigh on the yen.

The dollar hit its strongest level since December 1986 against the yen, and it was last up 0.6% at 160.66. The dollar index, gained 0.31% at 106.00, with the euro down 0.25% at \$1.0686. U.S. Treasury yields rose amid a pick up in inflation in other countries. The yield on benchmark U.S. 10-year notes rose 6.6 basis points to 4.304%, from 4.238% late on Tuesday.

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.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
BOE Gov Bailey Speaks	GBP			HIGH
Final GDP q/q	USD	1.40%	1.30%	HIGH
Pending Home Sales m/m	USD	0.6%	-7.7%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.66	83.40	83.0	83.90	84.40	BULLISH
EURINR FUTURE	89.57	89.50	88.80	90.20	90.90	BEARISH
GBPINR FUTURE	105.86	105.50	104.90	106.30	107.0	BEARISH
JPYINR FUTURE	52.55	52.50	52.0	53.0	53.40	BEARISH

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