

KEY HEADLINES:

The **rupee** declined 2 paise to close at 77.57 (provisional) against the US dollar on Thursday, as firm crude prices and relentless foreign capital outflows dented investor sentiment. However, a rally in domestic equities and a weak American currency in the overseas market restricted the rupee's fall.

At the interbank foreign exchange market, the rupee opened at 77.54 against the greenback and touched an intra-day low of 77.65 and a high of 77.52.

The dollar index, which gauges the greenback's strength against a basket of six currencies, was trading 0.23 per cent lower at 101.83. The U.S. dollar dipped on Thursday after minutes from the Federal Reserve's May meeting pointed to additional 50 basis point interest rate hikes in June and July but left wiggle room for the central bank to slow the tightening cycle in the second half of the year.

The dollar index reached a nearly two-decade peak above 105 in mid-month but signs that aggressive Fed action may already be slowing economic growth have prompted traders to scale back tightening bets, with Treasury yields also dropping from multi-year highs.

Moody's Investors Service on Thursday slashed India's economic growth projection to 8.8 per cent for 2022 from 9.1 per cent earlier, citing high inflation.

According to sources, the Reserve Bank is likely to raise inflation projections in the Monetary Policy Committee (MPC) meeting next month and would also consider a rate hike to tame inflation, which is above its comfort level. The MPC, headed by the RBI Governor, is scheduled to meet between June 6 and June 8. It has been mandated to keep retail inflation in the range of 2-6 per cent.

Besides the Reserve Bank of India (RBI), several central banks including the US Federal Reserve and Bank of England have hiked their benchmark lending rates to rein in inflation, which has been exacerbated by the Russia-Ukraine conflict.

Foreign institutional investors remained net sellers in the capital market on Wednesday, as they offloaded shares worth Rs 1,803.06 crore, as per stock exchange data.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Core PCE Price Index m/m	USD	0.3%	0.3%	HIGH
Revised UoM Consumer Sentiment	USD	59.1	59.1	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	77.82	77.50	77.30	78.05	78.50	SIDEWAYS
EURINR FUTURE	83.47	83.05	82.60	83.75	84.30	BULLISH
GBPINR FUTURE	98.14	97.20	96.25	98.20	99	BULLISH
JPYINR FUTURE	61.40	61	60.55	61.60	62	BULLISH

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