

KEY HEADLINES:

The Indian rupee against the US dollar end higher on Thursday ahead of expected inflows from domestic debt market which will be included in a global index Friday and record high equity market also likely to attract foreign flows. However month end dollar demand from OMC restrict domestic currency at higher level.

The rupee at NSE Future 29 July. ended gain by 13 paise at 83.53 against previous close of 83.66 and after make low of 83.51 and high of 83.62. The benchmark 10-year bond was quoted at 100.70 rupees, with the yield unchanged at 6.9978%, while the 10-year U.S. bond yield extended its rise during Asian hours after climbing 8 basis points (bps) on Wednesday.

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 yen edged up from a 38-year low against the U.S. dollar on Thursday, helped by softening U.S. economic data, although traders remained on high alert for any signs of

Japanese intervention to prop up the currency. In the broader market, the dollar fell against a basket of currencies, as U.S. Treasury yields slipped following the data.

U.S. reports showed that jobless claims for state unemployment benefits dropped 6,000 to 233,000 for the week ended June 22. However, the number of people receiving benefits after an initial week of aid increased 18,000 to 1.839 million during the week ending June 15. More data showed that economic growth moderated sharply in the first quarter. Gross domestic product increased at a slightly upwardly revised 1.4% annualized rate last quarter, but down from the 3.4% registered in last three months of 2023.

The dollar index fell 0.2% to 105.84, not far from a nearly two-month high of 106.13 on Wednesday. In late morning trading, the yen gained 0.2% against the greenback to 160.555 per dollar, having fallen to a low of 160.88 on Wednesday, its weakest since 1986. The Japanese currency has fallen some 2% this month and 12% for the year against a resilient dollar. In other currencies, sterling rose 0.3% to \$1.2651 while the euro rose 0.3% to \$1.0710.

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
President Biden Speaks	USD			HIGH
Core PCE Price Index m/m	USD	0.1%	0.2%	HIGH
Revised UoM Consumer Sentiment	USD	65.9	65.6	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.53	83.40	83.0	83.90	84.40	SIDEWAYS
EURINR FUTURE	89.43	89.40	88.80	89.85	90.40	BEARISH
GBPINR FUTURE	105.59	105.50	104.90	106.30	107.0	BEARISH
JPYINR FUTURE	52.48	52.40	51.90	53.0	53.40	BEARISH

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