

KEY HEADLINES:

The Indian rupee against the US dollar end lower on Monday on dollar demand from foreign bank as well firm crude oil prices and political concern at Europe makes Asian peers also under check when dollar index tick higher. While record high equity market which attract more funds flow and positive economic data support rupee at lower level.

The rupee at NSE Future 29 July. ended down by 7 paise at 83.51 against previous close of 83.44 and after make low of 83.44 and high of 83.53.

Activity in India's manufacturing sector rebounded last month as output increased on robust demand, leading to the fastest rate of hiring in over 19 years, despite inflationary pressures remaining elevated, a survey showed. The HSBC final India Manufacturing PMI, compiled by S&P Global, rose to 58.3 in June, marginally below a preliminary 58.5 estimate, from a three-month low of 57.5 in May. This was despite business sentiment falling to a three-month low, however, it remained strong and above the long-run average.

India is likely to receive above-average rainfall in July after receiving 11% below average in June, the weather department said on Monday, keeping alive the possibility of higher farm output and economic growth in Asia's third-biggest economy. All regions except northeastern states are likely to receive rainfall equating to more than 106% of the 50-year average in July, Mrutyunjay Mohapatra, director-general of the India Meteorological Department (IMD), told a virtual news conference.

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.

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. 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 euro climbed on Monday after a convincing and historic win by the French far right in the first round of parliamentary elections fell slightly short of some expectations, leaving the final result dependent on party deals before a second round next weekend.

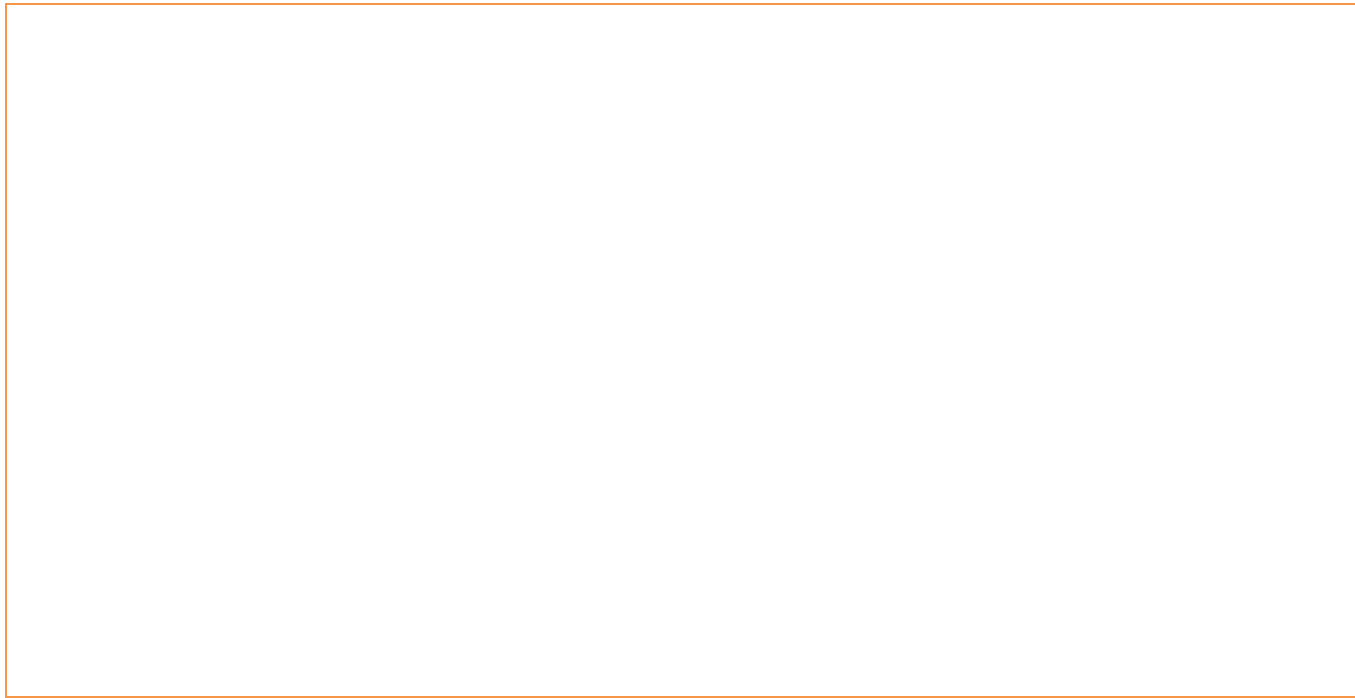
Meanwhile, the yen sank to a new 38-year low after data showed Japan's economy shrank more than initially reported in the first quarter, leaving traders on alert for signs of intervention to prop up the currency.

The euro was last 0.4% higher at \$1.0753, having earlier climbed to a two-week high. The dollar index was last flat on the day at 105.72. Against the dollar, sterling rose 0.2% to \$1.2674, while the Aussie was down 0.1% at US\$0.6665. The yen fell to another 38-year low against the greenback, sliding to 161.58 yen per dollar. The U.S. currency was last up 0.4% at 161.57.

The dollar slipped after data showed after a U.S. manufacturing index fell 48.1 in June, lower than the forecast of 49.1. U.S. construction spending for May also came in weaker than expected, falling 0.1%, compared with expectations for a 0.2% rise.

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 63%, up from 55% a month earlier, according to CME's FedWatch tool.



Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI Flash Estimate y/y	EUR	2.5%	2.6%	HIGH
ECB President Lagarde Speaks	EUR			HIGH
Fed Chair Powell Speaks	USD			HIGH
JOLTS Job Openings	USD	7.96M	8.06M	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	89.85	89.40	88.80	90.5	90.85	BULLISH
GBPINR FUTURE	105.69	105.40	104.80	106.30	107.0	BEARISH
JPYINR FUTURE	52.40	52.20	51.70	53.0	53.40	BEARISH

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