

KEY HEADLINES:

The Indian rupee held a narrow range on Wednesday after a fresh set of U.S. data strengthened bets of more rate hikes by the Federal Reserve. The rupee in three sessions this week has been in an about 12 paise range.

The rupee at NSE Future 28 July ended down by 3 paise at 82.13 against previous close of 82.10 and after make low of 82.06 and high of 82.15. Other Asian currencies dropped after a slew of U.S. economic data supported expectations that the Fed is not done with its rate hike cycle.

Foreign portfolio investors have bought 859.83 billion rupees (\$10.49 billion) worth of equities in fiscal 2024 so far, after offloading 1.4 trillion rupees and 376.32 billion rupees in fiscal 2022 and 2023, respectively.

Powell, speaking at a European Central Bank (ECB) conference along with Bank of England Governor Andrew Bailey, ECB President Christine Lagarde and Bank of Japan Governor Kazuo Ueda, noted that two rate rises are likely this year, and did not rule out the possibility of a rate increase at its next policy meeting set for July 25-26. In addition, Powell also said he does not see inflation coming down to the Fed's 2% target until 2025.

Lagarde said the ECB is still not seeing enough evidence that underlying inflation has embarked on a downward path, while BoE Governor Andrew Bailey said it remained to be seen if financial markets are correct about the number of interest rate increases they are expecting from the British central bank and how long before the first cut is made.

Fed Chair Jerome Powell, at an event held by the Spanish central bank in Madrid on Thursday, indicated the central bank is likely to resume their rate hike path after a pause earlier this month.

The U.S. dollar index climbed to a two-week high on Thursday after economic data showed the labor market remained on a solid footing, giving the Federal Reserve a possible cushion to continue raising interest rates. The dollar index rose 0.35% at 103.310 after climbing to 103.44, its highest level since June 13.

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
Manufacturing PMI	CNY	49.0	48.8	HIGH
Core PCE Price Index m/m	USD	0.3%	0.4%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.13	81.95	81.20	82.30	82.60	BEARISH
EURINR FUTURE	89.95	89.20	88.50	90.35	91.0	BULLISH
GBPINR FUTURE	104.14	104.0	103.10	105.10	106.0	BEARISH
JPYINR FUTURE	57.38	57.30	56.70	58.05	58.60	BEARISH

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