

KEY HEADLINES:

The Indian rupee against the US dollar end sharply lower on Wednesday to register worst day in 7 weeks due to dollar demand from OMC, Election outcome risk and weak equity market added by gain in Crude oil makes local rupee fall sharply.

The rupee at NSE Future 26 June. ended down by 20 paise at 83.46 against previous close of 83.26 and after make low of 83.22 and high of 83.48. Asian currencies were all down on the day, with the 10-year U.S. Treasury yield climbing past 4.50%.

S&P Global Ratings raised India's sovereign rating outlook to 'positive' from 'stable' while retaining the rating at 'BBB-', saying on Wednesday the country's robust economic expansion was having a constructive impact on its credit metrics.

Foreign flows into Indian equities are likely to be a key driver for the rupee this week as investors position for the outcome of the country's national elections on June 4. Overseas investors have net sold \$2.6 billion of Indian stocks so far in May, according to depository data.

The dollar held firm on Wednesday, boosted by higher U.S. yields ahead of key inflation data later in the week, and gaining on the Japanese yen as placid markets encouraged investors to resume carry trades.

The dollar reached as high as 157.41 yen early on Wednesday, inching back to levels that led to bouts of likely intervention from Tokyo at the end of April and early May, albeit rising at a much slower pace than it did last month.

The main focus for markets on Friday when the U.S. core personal consumption expenditures (PCE) price index report - the Federal Reserve's preferred measure of inflation - is released. Expectations are for it to hold steady on a monthly basis.

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.

Markets are now pricing in nearly 35 basis points of rate cuts from the Fed this year, including a 50% chance of a rate cut of at least 25 basis points in September, according

to CME's FedWatch Tool.

Money markets now see only a 15% chance of a rate cut in June got BOE, according to LSEG data. Earlier this week, pricing in derivatives markets suggested traders saw a 55% chance of a first cut coming in June.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Prelim GDP q/q	USD	1.2%	1.6%	HIGH

Pending Home Sales m/m	USD	-1.1%	3.4%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.46	83.20	82.90	83.70	84.0	SIDEWAYS
EURINR FUTURE	90.46	89.80	89.50	90.80	91.30	BULLISH
GBPINR FUTURE	106.24	105.50	104.50	106.45	107.0	BULLISH
JPYINR FUTURE	53.28	53.0	52.40	53.95	54.25	BEARISH

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