

KEY HEADLINES:

The Indian rupee closed lower on Tuesday as strength in Dollar and weakness in Asian peers especially Chinese Yuan while tentative deal to raise the U.S. debt ceiling and expectations that the U.S. Federal Reserve will raise rates next month, keep pressure in rupee.

The rupee at NSE Future 30 June ended weak by 6 paise at 82.77 against previous close of 82.71 and after made low of 82.61 and high of 82.86. The Chinese yuan continued to decline, falling past the 7.10-level for the first time since November last year, on worries over China's economic recovery and a hawkish outlook from the U.S. Federal Reserve.

The rupee is down about 1.1% so far this month, potentially headed for its worst performance since December 2022. The dollar index, meanwhile, has gained about 2.5% in May. Foreign investors have poured in about \$5 billion into Indian equities this month.

Odds of a 25 basis points Fed rate hike at the June 13-14 meeting climbed to 2-in-3 after President Joe Biden on Sunday finalised a budget agreement with House Speaker Kevin McCarthy to suspend the existing debt ceiling until Jan. 1, 2025, and said the deal was ready to move to Congress for a vote.

Currency markets were choppy on Tuesday as the dollar hit a 10-week high against peers and a six-month top versus the yen before retreating after Japanese officials gave their currency a nudge. That helped the dollar index, which measures the U.S. currency against six major peers, hit 104.53 in European trading, its highest in 10 weeks. But it then retreated, falling as low as 103.870. It last fell 0.153% to 104.140, clawing back some of those earlier losses.

Oil prices fell more than 4% on Tuesday as mixed messages from major producers clouded the supply outlook ahead of the OPEC+ meeting this weekend.

Investors will now focus on the U.S. jobs data due on Friday and the country's inflation numbers, ahead of the Fed meeting on June 13-14.

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	49.5	49.2	HIGH
JOLTS Job Openings	USD	9.41M	9.59M	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.77	82.45	82.10	83.0	83.70	BULLISH
EURINR FUTURE	88.97	88.50	87.90	89.40	90.0	SIDEWAYS
GBPINR FUTURE	102.79	102.0	101.10	103.40	104.80	BULLISH
JPYINR FUTURE	59.56	59.0	58.40	60.15	60.65	BEARISH

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