

## **KEY HEADLINES:**

The Indian rupee against the US dollar end sharply higher on Thursday from early fall to register gain after 3-days fall thanks to expected dollar inflows related to the rebalancing of the MSCI equity indices added by fall in crude oil prices. However in early trade fall seen due to dollar index sales 2-week high and US yield also limb in overnight trade.

The rupee at NSE Future 26 June. ended gain by 10 paise at 83.36 against previous close of 83.46 and after make low of 83.32 and high of 83.51. Asian currencies were all down on the day, with the 10-year U.S. Treasury yield climbing past 4.50%.

We will most likely have a new range once the election results are out and in expectations of full Budget from new Govt. India's national election results will be declared next Tuesday. Exit polls are due over the weekend.

Monsoon rains hit the coast of India's southernmost state of Kerala on Thursday, two days sooner than expected, weather officials said, offering respite from a gruelling heat wave while boosting prospects for bumper harvests. Conditions favoured its spread to the neighbouring states of Tamil Nadu, Karnataka, and the northeastern state of Assam during the next two to three days, it added.

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 \$2.3 billion of Indian stocks so far in May, according to depository data.

The dollar fell on Thursday after revised data showed that gross domestic product - the broadest measure of economic activity - grew at slower pace than previously expected in the first quarter, after the currency rose to a two-week high the previous day.

The Commerce Department reported the U.S. economy grew at an 1.3% annualized rate from January through March, down from the advance estimate of 1.6% after downward revisions to consumer spending.

The index tracking the U.S. currency against its major peers climbed to 105.18

overnight, the highest since May 14, but was last down 0.33% at 104.78. The dollar was down 0.57% against the Japanese yen at 156.755 after hitting a one-month high of 157.72 the previous day. The euro was up 0.29% at \$1.083 after dropping 0.5% on Wednesday to touch a two-week low of \$1.0789 overnight. Sterling rose 0.18% to \$1.2724 after also falling 0.5% on Wednesday.

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
Manufacturing PMI	CNY	50.4	50.4	HIGH
Core PCE Price Index m/m	USD	0.3%	0.3%	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.36	83.20	82.90	83.70	84.0	SIDEWAYS
EURINR FUTURE	90.23	89.80	89.50	90.80	91.30	BULLISH
GBPINR FUTURE	105.93	105.50	104.50	106.45	107.0	BULLISH
JPYINR FUTURE	53.45	53.0	52.40	53.95	54.25	BEARISH

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