

KEY HEADLINES:

The Indian rupee ended lower on Tuesday as investors squared off their short dollar positions ahead of key rate decisions by the U.S. Federal Reserve and European Central Bank this week. Some support seen for rupee from FII buying last days.

The rupee at NSE Future 29 May ended weak by 6 paise at 81.96 against previous close of 81.90 and after make low of 81.83 and high of 82.05. Foreign investors bought over \$800 million of Indian equities in the last two sessions, according to data from the exchange.

The dollar fell Tuesday after data showed that U.S. job openings fell in March, a day before the Federal Reserve is expected to hike interest rates by an additional 25 basis points. The dollar index fell 0.22% to 101.93 after earlier reaching 102.40, the highest since April 11.

U.S. job openings fell for a third straight month and layoffs increased to the highest level in more than two years, suggesting some softening in the labor market that could aid the Fed's fight against inflation. The U.S. Commerce Department data also shows that factory orders rose by 0.9% in March, below expectations for a 1.1% gain.

Markets have priced in a 90% probability of a 25 basis-point rate increase at this week policy meeting, with a pause factored in after that. Aside from the Fed, the European Central Bank also meets this week and is also expected to lift rates by 25 basis points (bps), with the possibility of a 50-bps hike as well. This followed by BOE meeting next week for interest rate decision.

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

ADP Non-Farm Employment Change	USD	148K	145K	HIGH
Federal Funds Rate	USD	5.25%	5.0%	HIGH
FOMC Press Conference	USD			HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	81.96	81.55	81.0	82.15	82.45	BEARISH
EURINR FUTURE	89.99	89.85	89.25	90.80	91.70	BEARISH
GBPINR FUTURE	102.27	101.65	100.70	102.85	103.80	BULLISH
JPYINR FUTURE	59.96	59.65	59.0	60.55	61.40	BEARISH

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