

KEY HEADLINES:

The Indian rupee against the US dollar end marginally lower on Wednesday dollar demand from foreign bank as well OMC for oil payment added by firm crude oil prices and weak Asian peers pressure domestic rupee despite fall in dollar index as well US Treasury and record high equity market which attract more funds flow support rupee at lower level.

The rupee at NSE Future 29 July. ended down by 3 paise at 83.58 against previous close of 83.55 and after make low of 83.54 and high of 83.62. Most Asian currencies declined, with the Japanese yen slumping to its lowest in 38 years while the Chinese yuan lingered near its weakest level since November last year.

Forecasters polled by Reuters expect the currency to trade within the narrowest range in nearly three decades over the coming year as the Reserve Bank of India (RBI) continues to maintain its tight grip.

Federal Reserve officials at their last meeting acknowledged the U.S. economy appeared to be slowing and that "price pressures were diminishing," but still counseled a wait-and-see approach before committing to interest rate cuts, according to minutes of the two-day session held on June 11-12. The minutes, which were released on Wednesday, noted in particular a weak May reading in the consumer price index as one among "a number of developments in the product and labor markets" that supported a view that inflation was in decline. With only modest improvement so far, that move wasn't warranted despite signs the economy was heading towards slower growth and lowered price pressures, the minutes said.

Growth in India's dominant services industry accelerated last month, buoyed by strong demand and a record rise in export orders, according to a business survey that also showed companies were hiring at the fastest in nearly two years. HSBC's India Services PMI, compiled by S&P Global, rose to 60.5 in June from 60.2 in May, close to a Reuters poll median forecast of 60.6 and a preliminary reading of 60.4. It has been above 50, which separates growth from contraction, for nearly three years.

Expectations of dollar inflows as domestic bonds are to be included in a JPMorgan index are likely to push out potential weakness in the rupee. The inclusion is expected to spur passive inflows of about \$2 billion around June 28. The \$2-billion single-day inflow estimate by bankers trails only the record-high \$2.7 billion poured into Indian bonds on

Aug. 20, 2014.

Foreign investors have bought more than \$10 billion of Indian government bonds that will be included in a widely-followed JPMorgan debt index on June 28, taking their ownership of such papers to a record high. In the nine months since JPMorgan said India's sovereign debt will be included in its emerging market debt index, foreign investors have bought 841 billion rupees (\$10.08 billion) of eligible bonds on a net basis. Overseas buyers now own 1.79 trillion rupees of Indian bonds included in the so-called fully accessible route, which allows unfettered foreign purchases. A majority of these notes will be a part of the JPM index.

The yen sank to a 38-year low against the U.S. dollar and a record trough versus the euro on Wednesday, as the Japanese unit continued its downward spiral, with market participants on high alert for Japanese intervention to boost the currency. The dollar, on the other hand, fell after a slew of softer-than-expected U.S. economic data that bolstered expectations that the Federal Reserve will likely start cutting interest rates later this year.

It declined after data showed that U.S. private payrolls rose slightly less than expected in June and initial jobless claims increased, both consistent with a slowing labor market. A report indicating that the U.S. services sector contracted last month and factory orders fell also weighed on the dollar.

Ahead of the July 4th holiday in the United States, the yen remained the main focus as it fell to 161.96 per dollar for the first time since December 1986. The dollar was last up 0.1% at 161.64, after earlier falling to a session low below 161 following weak U.S. data. The yen also hit an all-time low of 174.48 against the euro. The euro was last up 0.4% at 174.22 yen. The euro rose to a three-week high against the dollar, and was last up 0.3% at \$1.0781.

The focus now shifts to Friday's nonfarm payrolls report, which is expected to show an increase of 190,000 jobs in June after rising 272,000 in May, according to a Reuters poll of economists. The unemployment rate is forecast to be unchanged at 4.0%.

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.

Despite the hawkish shift in policymaker's expectations by FED, the odds of a September rate cut rose to about 74%, up from 63% earlier of this week, according to CME's FedWatch tool.



Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Parliamentary Elections	GBP			HIGH
Bank Holiday	USD			

Support Resistance Levels – Currency Future: (NSE CUR - 29 July 24)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.58	83.40	83.0	83.90	84.40	SIDEWAYS
EURINR FUTURE	89.95	89.40	88.80	90.05	90.85	BULLISH
GBPINR FUTURE	106.04	105.40	104.80	106.30	107.0	BULLISH
JPYINR FUTURE	51.71	51.50	51.0	52.10	52.50	BEARISH

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