

KEY HEADLINES:

The Indian rupee strengthened on Wednesday, aided by a broad decline in the U.S. dollar ahead of the expected 25 basis-point rate hike by the Federal Reserve later in the day and broader strength in Asian peers.

The dollar index down as gloomy jobs data, a standoff over the U.S. debt ceiling, and uncertainties surrounding banking collapses clouded the investment outlook and raised bets for a pause and quicker reversal in the rate cycle. Oil prices extended losses on the day after plunging 5% in the previous session, as investors fretted about the health of the U.S. economy.

The rupee at NSE Future 29 May ended strong by 8 paise at 81.88 against previous close of 81.96 and after make low of 81.84 and high of 81.94.

The Federal Reserve on Wednesday raised interest rates by a quarter of a percentage point and signaled it may pause further increases, giving officials time to assess the fallout from recent bank failures, wait on the resolution of a political standoff over the U.S. debt ceiling, and monitor the course of inflation. The unanimous decision lifted the Fed's benchmark overnight interest rate to the 5.00%-5.25% range, the tenth consecutive increase since March 2022.

The dollar dropped after the Federal Reserve on Wednesday raised interest rates by a quarter of a percentage point and signaled it may pause further increases. The pause would give officials time to assess the fallout from recent bank failures, wait on the resolution of a political standoff over the U.S. debt ceiling, and monitor the course of inflation. The dollar index fell to a session low of 101.05 and the euro hit a session high of \$1.10925. The dollar also fell to 134.82 against the Japanese yen.

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
Main Refinancing Rate	EUR	3.75%	3.50%	HIGH
ECB Press Conference	EUR			

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	81.88	81.55	81.0	82.15	82.45	BEARISH
EURINR FUTURE	90.43	89.85	89.25	90.80	91.70	SIDEWAYS
GBPINR FUTURE	102.41	101.65	100.70	102.85	103.80	BULLISH
JPYINR FUTURE	60.66	60.0	59.60	60.75	61.40	BEARISH

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