

KEY HEADLINES:

The Indian rupee against the US dollar ended sharply lower on Tuesday after election results show the BJP-led alliance would win a lower majority than expected, which led to a sell-off in the equity market and a plunge in local currency as well as bond yields. The rupee fell 0.47% in a day, its worst since February last year, and thanks to the RBI, which is likely to step down to curb the falling rupee, according to bank dealers' sources.

The rupee at NSE Future 26 June ended with a sharp fall of 39 paise at 83.58 against its previous close of 83.19 and after making a low of 83.10 and a high of 83.70.

The central government's fiscal deficit during 2023-24 at 5.6% of the GDP was better than previous estimates of 5.8% on account of higher revenue realization and lower expenditure, according to official data released on Friday.

The U.S. dollar rallied on Tuesday after falling overnight to its lowest against the euro, sterling, and Swiss franc since mid-March, as investors consolidated gains in other currencies ahead of a key nonfarm payrolls report later this week. The greenback, however, pared gains against a basket of currencies led by the euro and extended losses versus the yen after U.S. job openings fell more than expected in April to the lowest in more than three years, according to the Job Openings and Labor Turnover Survey, or JOLTS report.

Job openings, a measure of labor demand, were down 296,000 to 8.059 million on the last day of April, the lowest level since February 2021.

In late morning trading, the dollar index was up 0.2% at 104.25, having fallen to its lowest since mid-April overnight at 103.99. The euro, the biggest component in the dollar index, fell 0.3% to \$1.0868. The yen, on the other hand, rose to a three-week peak against the greenback.

The U.S. dollar posted its first monthly decline of the year in May, weighed down by shifting expectations on when the U.S. central bank will cut rates and by how much.

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

ADP Non-Farm Employment Change	USD	173k	192k	HIGH
ISM Services PMI	USD	51.0	49.4	HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.58	82.90	82.40	83.75	84.10	SIDEWAYS
EURINR FUTURE	90.63	89.80	89.50	90.80	91.30	BULLISH
GBPINR FUTURE	106.40	105.50	104.50	106.50	107.10	BULLISH
JPYINR FUTURE	53.52	53.0	52.40	53.95	54.25	BEARISH

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