

## **KEY HEADLINES:**

The Indian rupee closed marginally higher on Tuesday after a pullback in the U.S. dollar, while Reserve Bank of India's policy decision and FED outcome eye for next clue.

The rupee at NSE Future 30 June ended strong by 6 paise at 82.65 against previous close of 82.71 and after make low of 82.61 and high of 82.70. U.S. yields fell with the 2-year dropping below 4.50%. Tracking the fall in U.S. yields, rupee forward premiums rose.

India's central bank has issued rules allowing banks to offer non-deliverable forward contracts involving the rupee to resident Indians. These contracts can be issued to non-retail residents for hedging purposes and settled in Indian rupees, the Reserve Bank of India said in a notification. For contracts with a person resident outside India, the settlement can be in Indian rupees or any foreign currency, it said.

The Reserve Bank of India's policy decision is due this Thursday. It is expected the central bank will leave the key interest rate unchanged at 6.50% after having surprised the market with a status quo on rates in its April policy.

Fed officials are in a blackout period ahead of the U.S. central bank's June 13-14 meeting and the next major economic release will be the consumer price report for May on June 13.

The U.S. dollar gained against the euro and yen on Tuesday as investors focused on the likelihood that the Federal Reserve will continue hiking rates, while the Aussie jumped after the Reserve Bank of Australia (RBA) surprised with a rate increase. The euro was last down 0.15% against the dollar at \$1.0694 and the greenback gained 0.06% to 139.64 yen . The dollar index was up 0.12% at 104.11.

Fed funds futures traders see the Fed as likely to then resume rate increases, with a 65% chance of an at least 25 basis-point increase in July, according to the CME Group's FedWatch Tool.

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
Crude Oil Inventories	USD	1.2M	4.5M	HIGH

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.65	82.35	81.80	83.0	83.70	BULLISH
EURINR FUTURE	88.52	88.20	87.0	89.15	90.0	BEARISH
GBPINR FUTURE	102.63	102.0	101.10	103.35	103.80	SIDEWAYS
JPYINR FUTURE	59.61	59.10	58.50	60.20	60.70	SIDEWAYS

## **Technical Research Analyst**

Mahesh Prakot

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate.  
Walbhat Road, Goregaon (E), Mumbai – 400063 Web site:  
<https://www.bonanzaonline.com>

SEBI Regn. No.: INZ000212137

BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836

**Bonanza Research Team4**

| CDSL: a) 120 33500 |

NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 | AMFI: ARN -0186