

KEY HEADLINES:

The Indian rupee closed higher on Wednesday tracking Asian peers, but dollar buying by oil companies capped its advance. Loan repayment by a large conglomerate and cash dollar demand related to oil and gold are among the reasons that are round the clock.

The rupee at NSE Future 30 June ended strong by 8 paise at 82.57 against previous close of 82.65 and after make low of 82.52 and high of 82.69. Asian currencies were mostly higher amid the increasing likelihood that the U.S. Federal Reserve will not raise rates next week.

India received 57% lower rainfall than average in the first week of June, weather office data showed on Wednesday, after the monsoon's onset over its southern coast was delayed by the formation of a cyclone.

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 dollar edged higher against the yen on Wednesday as investors awaited U.S. inflation data for May and the Fed's interest rate decision next week, while the Canadian dollar jumped after the Bank of Canada hiked rates. The dollar gained 0.31% to 140.10 yen, while the euro rose 0.11% against the U.S. currency to \$1.0703. The dollar index was little changed on the day at 104.07.

Data on Wednesday showed that the U.S. trade deficit widened by the most in eight years in April as imports of goods rebounded while exports of energy products declined.

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
Unemployment Claims	USD	236k	232k	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	82.57	82.35	81.80	83.0	83.70	SIDEWAYS
EURINR FUTURE	88.60	88.20	87.0	89.15	90.0	BEARISH
GBPINR FUTURE	102.87	102.0	101.10	103.35	103.80	SIDEWAYS
JPYINR FUTURE	59.61	59.10	58.50	60.15	60.70	SIDEWAYS

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