

KEY HEADLINES:

The Indian rupee against the US dollar end almost flat on Monday after lingering in tight band since last week as fall in dollar index in anticipation that FED likely to cut rate in Sep support rupee at lower level while dollar demand from foreign bank and elevated crude prices check rupee gain to trade in small range.

The rupee at NSE Future 29 July. ended flat by 0 paise at 83.55 against previous close of 83.55 and after make low of 83.48 and high of 83.56. Most Asian currencies were mixed after modestly rising against the U.S. dollar earlier in the session. Meanwhile, dollar-rupee forward premiums ticked up, with the 1-year implied yield touching a one-month peak of 1.66% aided by a decline in U.S. bond yields.

Federal Reserve Chair Jerome Powell's semi-annual monetary policy testimony to U.S. lawmakers will be in focus on Tuesday and Wednesday for additional cues on the future path of U.S. policy rates.

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.

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 euro touched a more than three-week high against the dollar on Monday, recovering overnight losses as France's election pointed to a hung parliament. The euro was last up 0.04% at \$1.0840 and rose as high as \$1.0845, the highest since June 12. It dipped to

\$1.07915 earlier in the day. The dollar index , which measures the U.S. currency against the euro, sterling, yen and three other major rivals, fell 0.12% to 104.82 and got as low as 104.80, the lowest since June 13. The dollar fell against the Japanese yen, reversing earlier gains.

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 77%, up from 63% earlier of this week, according to CME's FedWatch tool. A subsequent cut is expected by December.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

Fed Chair Powell Testifies	USD			HIGH

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

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.55	83.40	83.0	83.90	84.40	SIDEWAYS
EURINR FUTURE	90.47	89.40	88.80	90.25	91.10	BULLISH
GBPINR FUTURE	106.98	106.0	105.40	107.0	107.80	BULLISH
JPYINR FUTURE	52.02	51.50	51.0	52.40	53.0	BEARISH

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