

KEY HEADLINES:

The Indian rupee spot against the US dollar end marginally lower on Thursday, to mark 4th day of range bound trade in wait for fresh direction as today fall seen due to sell off in equity market and firm Crude oil prices, while support seen from fall in dollar index & expected inflows.

The rupee at NSE Future 26 June-25. ended Flat by 0 paise at 85.57 against previous close of 85.57 and after make low of 85.47 and high of 85.70. Asian currencies were mostly stronger with the offshore Chinese yuan rising 0.2%.

The Reserve Bank of India has decided not to conduct the 14-day main operation under the liquidity management framework scheduled for Friday, it said in a statement on Thursday. The decision was made following "a review of the current and evolving liquidity conditions" marking the third consecutive fortnight that the central bank has skipped the main 14-day operation. However, there are inflows of 257 billion rupees expected through government bond buyback, with another 800 billion rupees on account of bond maturities on Friday.

India's retail inflation stayed below the central bank's 4% target for the fourth straight month in May on easing food prices, reinforcing the case for last week's surprise steep interest rate cut. Annual retail inflation slowed to 2.82% in May, the lowest in more than six years, from 3.16% in April. The central bank also trimmed its projection for retail inflation for 2025-26 to 3.7% from 4% earlier, citing a strong harvest and the early arrival of monsoon rains.

The rupee spot has hovered in the 85.30 to 86.02 range against the U.S. dollar over June so far with its 1-month realised volatility declining to 4.5%, the lowest in about six weeks. The 1-year dollar-rupee implied yield fell to its lowest in nearly one year earlier this month while the 1-month forward premium has fallen about 4 paise to its lowest level since November. Speculative activity has picked up on forward premiums as markets are "largely playing the range (on spot USD/INR)

Worries about the economic impact of U.S. trade policies have continued to weigh on the dollar, which is down by around 9% against major peers over the year so far. A 90-day pause on U.S. reciprocal tariffs is set to elapse in early July but legal back-and-forth on the viability of the broad-based levies may continue to keep uncertainty elevated.

The Fed next meets on June 17-18, when the central bank will release new projections

from policymakers about their outlook for inflation, employment and economic growth in coming months and years, and the projected interest rate they feel would be appropriate.

The BoE is due to meet next week and is expected to keep the interest rate unchanged. Money market traders are pricing in about 48 basis points of cuts by year-end, up from about 39 bps before the data.

The dollar slumped on Thursday as weaker-than-expected inflation data suggested the Federal Reserve could resume cutting interest rates sooner rather than later, while the safe-haven yen and Swiss franc benefited from rising Mideast tensions.

The euro soared to its highest in almost four years against the dollar. The greenback also fell to a two-month low versus the Swiss franc and a roughly one-week low against the yen.

the dollar was down 1% at 0.8128 Swiss francs <CHF=>, after dropping to 0.8104, the lowest since April 22. The dollar slid 0.7% to 143.68 yen. Earlier in the session, it fell to a one-week low. The euro reached its highest since October 2021 at \$1.1632 and was last up 0.9% at \$1.1587. Against a basket of currencies, the dollar fell 0.6% to 97.91. It hit 97.786, its lowest since March 2022.

In light of the signs of easing trade tensions, markets have dialed back expectations for rate cuts from the U.S. Federal Reserve this year, pricing in a 68% chance for the first cut of at least 25 basis points (bps) at the central bank's September meeting, according to LSEG data. The prior view was for a likely cut in July.



Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
Prelim UoM Consumer Sentiment	USD	53.5	52.2	HIGH

Support Resistance Levels – Currency Future: (NSE CUR - 26 June 25)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.57	85.30	84.90	86.10	87.0	SIDEWAYS
EURINR FUTURE	99.29	98.50	97.90	99.50	100.30	BULLISH
GBPINR FUTURE	116.29	115.50	114.90	116.80	117.50	BULLISH
JPYINR FUTURE	59.67	59.0	58.50	59.90	60.30	SIDEWAYS

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