

KEY HEADLINES:

The Indian rupee spot against the US dollar ended almost flat on Tuesday, due to fall in equity market and dollar demand from foreign banks erode early gain because of falling dollar index and ease of border tension.

The rupee at NSE Future 28 May-25. ended higher by 15 paise at 85.36 against previous close of 85.51 and after making low of 84.70 and high of 85.55. The offshore Chinese yuan was nearly flat after touching a six-month peak earlier in the session.

The benchmark equity indexes, the BSE Sensex and Nifty 50, fell about 1.5% each on fears of foreign flows moving to China after its trade pact with U.S. and on profit booking after the previous day's near 4% rally. India's bond and currency markets were closed on Monday.

"A rally in China stocks might see modest near-term underperformance of India stocks," Nomura said in a note, raising its allocation to Chinese equities to a "tactical overweight." The firm said that it maintains an overweight position on Indian equities but will fund its allocation to China by trimming exposure to India.

India's retail inflation remained below the central bank's 4% target for the third consecutive month as food prices rose at a slower pace, opening up room for more interest rate cuts to support growth in the world's fifth-largest economy. Annual retail inflation slowed to 3.16% in April from 3.34% in March, marking its lowest level since July 2019 and coming in below expectations of 3.27%. Core inflation, which excludes volatile items such as food and energy and is a better gauge of domestic demand, steadied at 4%-4.1% in April from 4.1% in the previous month, according to two economists.

The dollar fell and major U.S. stock indexes were higher on Tuesday after data showed U.S. consumer inflation picked up less than expected in April when President Donald Trump unveiled a raft of tariffs that have wreaked havoc on global markets.

The Bureau of Labor Statistics said its consumer price index rose 0.2% in April, bringing the annual increase down to 2.3% from 2.4%.

The dollar pulled back from sharp gains in the prior session on the inflation data. It was last down 0.69% against a basket of currencies. The euro rose 0.85% at \$1.1181. The

yield on benchmark U.S. 10-year notes rose 4.8 basis points to 4.505%, and the 2-year note yield, which typically moves in step with interest rate expectations for the Federal Reserve, rose 1.9 basis points to 4.021%.

Markets now imply only a 37% chance of a Fed rate cut in June, down from 64% a month ago. Goldman Sachs and Barclays both shifted their cut calls to July from June and futures now point to more than 75 basis points worth of rate cuts by December this year.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact

Support Resistance Levels – Currency Future: (NSE CUR - 28 MAY 25)

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	85.36	84.90	84.25	86.0	86.80	BULLISH
EURINR FUTURE	94.87	94.20	93.40	96.25	97.0	BEARISH
GBPINR FUTURE	112.75	111.80	111.0	113.40	114.10	BEARISH
JPYINR FUTURE	57.84	57.80	57.20	59.0	59.60	BEARISH

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