

KEY HEADLINES:

The Indian rupee against the US dollar end little change on Tuesday as dollar offer by state run banks and fall in dollar index as well crude oil prices offer support against weakness in rupee over last few session due to consistent outflow fro weak equity market.

The rupee at NSE Future 29 May. ended Flat by 0 paise at 83.55 against previous close of 83.55 and after make low of 83.54 and high of 83.56. Asian currencies were largely muted as investors awaited U.S. inflation numbers.

The currency has managed to hold its ground even as foreign investors have pulled out \$2.2 billion from Indian equities in May so far, prompted by concerns about the upcoming national election results on June 4.

India's wholesale price-based inflation rose 1.26% in April, the highest pace in a year, mainly driven by food and primary articles, government data showed on Tuesday. The April figures were higher than the 1% rise expected by economists polled by Reuters and up from a 0.53% year-on-year rise in March. Wholesale inflation was the highest since March 2023, when it hit 1.41%.

The recent sharp foreign investor selling in Indian government bonds in April, marking the highest monthly sales since the Covid-19 pandemic, is only an aberration, with inflows likely to continue in the coming months, according to various analyst expectations. Foreign investors sold bonds worth 149.5 billion rupees (\$1.79 billion) on a net basis in April, the highest in the four years, after net purchases of bonds worth 816 billion rupees between October and March.

The dollar eased on Tuesday after an unexpected increase in U.S. producer prices in April amid strong gains in the costs of goods and services, indicating inflation remained stubbornly high early in the second quarter.

The dollar index , a measure of the U.S. currency against six major peers, slid 0.02% to 104.99. Sterling rose 0.25% to 1.2591 after falling to \$1.2510 following Pill's remarks.

The Chinese offshore yuan was trading near a 2-week low after U.S. President Joe Biden unveiled a bundle of steep tariff increases on an array of Chinese imports, including electric vehicles, computer chips and medical products. The offshore yuan was last flat

on the day at 7.240, after falling earlier in the day to its lowest level since May 5.

The producer price index for final demand rose 0.5% in April after falling by a downwardly revised 0.1% in March, the Labor Department's Bureau of Labor Statistics said. Economists polled by Reuters had forecast that PPI, which can be volatile, would gain 0.3% after a 0.2% rise in March. In the 12 months through April, the PPI increased 2.2% as expected after climbing 1.8% in March.

Fed Chair gave a bullish assessment on Tuesday of where the U.S. economy stands, with an outlook for continued above-trend growth and confidence in falling inflation that, while eroded by recent data, remains largely intact.

The consumer price index on Wednesday is expected to show core CPI rose 0.3% month-over-month in April, down from 0.4% the prior month, according to a Reuters poll. U.S. retail sales also will be reported on Wednesday and industrial production on Thursday.

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.

Markets are now pricing in nearly 50 basis points of rate cuts from the Fed this year, including a 80% chance of a rate cut of at least 25 basis points in September, according to CME's FedWatch Tool.

Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
CPI y/y	USD	3.4%	3.5%	HIGH
Retail Sales m/m	USD	0.4%	0.7%	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.55	83.25	82.80	83.85	84.50	BULLISH
EURINR FUTURE	90.10	89.65	89.10	90.50	91.20	BULLISH
GBPINR FUTURE	104.79	104.15	103.60	105.0	105.75	BULLISH
JPYINR FUTURE	53.50	53.25	52.40	54.25	54.60	BEARISH

Technical Research Analyst

Vibhu Ratandhara

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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 Team5

| CDSL: a) 120 33500 |

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