

KEY HEADLINES:

The Indian rupee against the US dollar end little gain on Wednesday on back of gain in Asian peers and soft dollar index as well crude oil prices while weakness in rupee over last few sessions due to consistent outflow from falling equity market.

The rupee at NSE Future 29 May. ended Gain by 1 paise at 83.54 against previous close of 83.55 and after made low of 83.50 and high of 83.55. Most Asian currencies rose, with the Philippine peso up 0.6% and leading gains. The offshore Chinese yuan strengthened 0.2% as well.

The currency has managed to hold its ground even as foreign investors have pulled out \$3 billion from Indian equities in May so far, prompted by concerns about the upcoming national election results on June 4.

India's merchandise trade deficit in April was wider than expected, hurt by lower exports and a surge in gold imports, government data showed on Wednesday. India's April merchandise trade deficit stood at \$19.1 billion, according to a Reuters calculation, higher than economists' expectation of \$17.23 billion, according to a Reuters poll. In March it was \$15.6 billion. India's merchandise exports in April stood at \$34.99 billion, while imports were \$54.09 billion, government data showed. In March, merchandise exports were \$41.68 billion, while imports stood at \$57.28 billion.

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 slumped against major currencies on Wednesday after U.S. consumer prices in April showed inflation had resumed trending lower in the second quarter, raising hopes the Federal Reserve can deliver an interest rate cut as early as September.

The dollar index, which measures the greenback against a basket of major currencies including the yen and the euro, fell to a fresh one-month low at 104.30, and was last 0.66% lower at 104.35. In other major currencies, the euro rose 0.52% to \$1.0877 and sterling rose 0.69% to 1.2675.

The consumer price index rose 0.3% last month after advancing 0.4% in March and February, the Labor Department's Bureau of Labor Statistics said. In the 12 months through April, the CPI increased 3.4% after climbing 3.5% in March.

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
Unemployment Claims	USD	219k	231k	HIGH

Support Resistance Levels – Currency Future:

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	83.54	83.25	82.80	83.85	84.50	BULLISH
EURINR FUTURE	90.35	89.65	89.10	90.50	91.20	BULLISH
GBPINR FUTURE	105.20	104.75	104.15	105.75	106.40	BULLISH
JPYINR FUTURE	53.58	53.25	52.40	54.25	54.60	BEARISH

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